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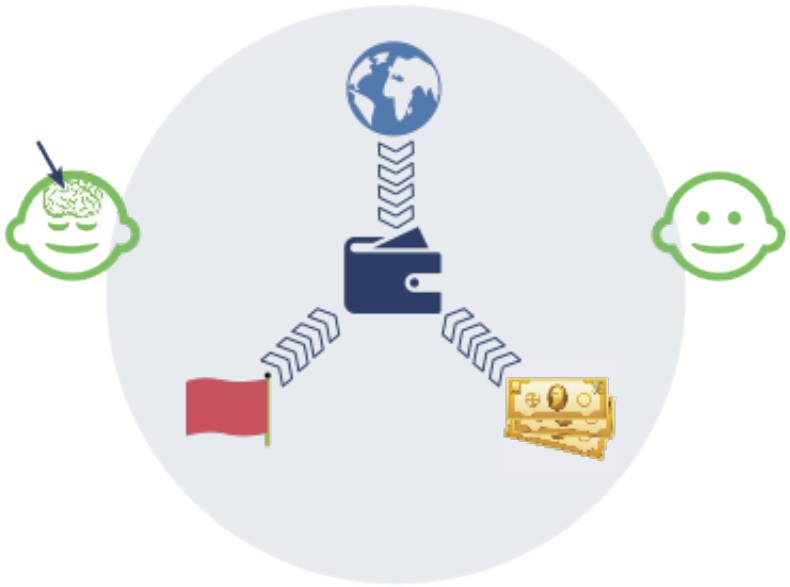
The unconscious and conscious effects of marketing factors on consumer preferences

- how Price, COO and Nationality affect WTP on multiple levels



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Executive summary

Marketers and academics have long been discussing the true effect of marketing stimuli such as price, country of origin etc. Furthermore with the emergence of new technologies such as neuroscience marketers are now able to measure consumers' unconscious reactions to stimuli, which have been shown to be highly important in establishing a more accurate estimate of actual consumer behavior. This thesis aims at measuring the conscious as well as unconscious effects of the factors price, country of origin and subject nationality to establish a holistic framework for marketers to promote products internationally.

To answer the research question the authors made statistical analyses based on subjects' emotional arousal (unconscious), liking and willingness to pay (conscious) during a wine tasting session. During this session subjects were presented with what they expected to be six different wines to taste and subsequently rate. In reality there was only one wine, hence the arousal, liking and willingness to pay for the wines were based on placebo-marketing efforts more specifically - *price*, *country of origin* combined with subjects' *nationality*. An eye tracking screen captured subjects' pupil dilation during the tasting to measure unconscious emotional arousal based on the placebo-marketing efforts alone. The results were analyzed to 1) Test hypotheses on the cues' individual and collective effects on subjects' willingness to pay, and the cues' relative strengths in affecting willingness to pay. 2) Whether product preferences were measurable based on subject's unconscious arousal. If so, the results would show that conscious marketing measures do not fully capture consumer behavior.

The results point towards each factor: price, country of origin and nationality, as having an effect on willingness to pay individually and collectively. However the cue price has by far the most significant effect, followed by country of origin and lastly nationality. In order to stay competitive in an increasingly international environment the authors deem it relevant for marketers to understand these stimuli effects. Furthermore the unconscious measure - pupil dilation, does seem to indicate the subsequent willingness to pay, hence it is advisable for marketers to use both conscious and unconscious measures in determining the effect of the factors. Overall the authors' advice marketers to make strategic use of the insights gained from this study, at a conscious as well as unconscious level to affect consumers' buying behavior.

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1. Introduction

Understanding differences amongst cultural diverse segments '…*has become an important issue in developing, positioning and selling products across national borders'* (Steenkamp & Hofstede, 2005:185). Globalization has pushed managers to acknowledge that international marketing strategies need to be further developed or at least re-organized (Steenkamp & Hofstede, 2005). Successful internationalization strategy seems to depend upon the similarities between consumers' behavior and attitude across borders (Verhage, Dahringer, & Cundiff, 1989). Although internationalization has proven to have scale advantages such as reduction in average cost of production and advertising, it is still imperative to organize it strategically correct to combine the benefits of both standardization *and* adaptation to specific consumer behavior (Steenkamp & Hofstede, 2005). Being able to divide consumers into segments is a useable management tool to make strategic decisions and position products effectively for each segment. This becomes ever more important on an international scale, as only having one single international strategy might not be effective (Verhage, Dahringer, & Cundiff, 1989). Instead international managers must understand the importance of differences across borders to successfully market products.

A reoccurring topic of interest in global marketing research has been the discussion of diminishing national borders (Holden, 2004; Yip, 1995). Scholars supporting this line of thinking find that national borders are becoming ever more blurry, and further that consumers across these borders are becoming increasingly homogeneous (Holden, 2004). This is amongst other things due to the technological development which makes their wants and needs more alike (Levitt, 1983). Levitt (1983) suggests that national differences only exist because multinational companies are convinced that consumers have fixed preferences reliant on their culture and nationality. Furthermore one of the underlying arguments for vanishing cultural preferences is that consumers' behavior is rational, thus their purchase decisions should be based solely on maximizing their utility function.

However, increasingly over the last few years scholars have found that optimizing the utility function, is merely an explanation for how consumers *should* behave all other things being equal, and *not* how they actually do behave (Wheatley, Walton, & Chiu, 1977). Wheatley, Walton, & Chiu (1977) found that consumers are often not rational decision makers, and hence the expectation that consumers want standardized products seems not to hold. This supports the notion that there exists several consumption differences across countries (de

Mooij & Hofstede, 2002), and that several variables might influence consumers' perception of a product depending on their nationality. Further the idea of global homogeneity has led several companies into a trap of standardization, which have steered them towards decreasing competitiveness and profitability within local markets (de Mooij & Hofstede, 2002).

Understanding consumer preferences in global settings is becoming ever more difficult, and grasping how marketing effects can influence consumers' perception of a product seems increasingly important. Taking these arguments as a point of departure, our motivation is to investigate and define more clearly consumer preferences on an international scale.

1.1. Motivation

Fundamentally, being knowledgeable about consumer preferences will make decisions on e.g. product positioning a much easier task. On that note scholars have recognized that it is paramount to understand variables that affect consumers' perception of product quality and value (Dodds, Monroe, & Grewal, 1991). Trailing this, it is generally assumed that products have some extrinsic as well as intrinsic cues, which form the basis for consumer evaluation (Bilkey & Nes, 1982). Marketers make use of extrinsic cues to position products, and hence our motivation lies in the investigation of extrinsic cues, and how these can affect consumer preferences. Over time researchers have conducted many single-variable experiments, where variables such as price and country of origin have been shown to have influence on perceived quality and value. But there have been many contradictory results with multi-variable experiments, as to how much each single variable affects the overall value of the product (Jacoby, Olson, & Haddock, 1971). Furthermore we assume that in an international context it is ever more complex, as more variables such as consumers' nationality and culture have to be taken into consideration to acquire a broader comprehension. Hence this thesis will investigate selected variables that drive preferences in an international context.

Taking the contradictory and uncertain results of multi-variable experiments juxtaposed with the assumption that managing product positioning in international settings is more complex, we as researchers find it relevant to investigate the factors: Price (extrinsic cue), products' country of origin (extrinsic cue) and consumers' nationality (influential variable). We chose these specific factors (price, country of origin and nationality), as they have received extensive research over time, however scholars have to our knowledge not yet considered these exact

factors as a collective whole, and further scholars do not seem to agree upon the effect of these factors on consumer behavior. Thus the aim of this project is to investigate whether the variables are in fact influencing consumers' evaluation in an international context (Teas & Agarwal, 2000), (Richardson, Dick, & Arun, 1994).

1.1.1. New insights

Aforementioned, extensive research has already been made on the variables chosen and their influence on consumer behavior. However most of this research performs investigations using 'traditional' marketing measures, which only measures the conscious components of consumer behavior (e.g. asking the consumer about product choice). However it has been shown that consumers do not act merely upon conscious considerations but are also highly affected by the unconscious mind (Dijksterhuis et al., 2005). Therefore we aim at providing new insights to this field by making use of a fairly new method of investigation, namely neuromarketing, when undergoing our experimental investigation.

The motivation for our choice of data collection method lies in the interest of understanding consumers' unconsciously formed preferences, which this method is a step towards. Could it be that the unconscious mind forms product preferences based on the mere exposure to a product's cues prior to actually experiencing the product? Inspired by the article by Plassmann et al. (2008), we deem it interesting to investigate the so-called 'placebo effect' to find if the aforementioned marketing factors (price, country of origin and nationality) alone can alter how consumers experience a product. Thus we will manipulate with consumers' unconscious perception of a product. To avoid any misunderstandings, we will from here on refer to this manipulation as the 'placebo-marketing effect'. Further supporting this motivation consumers' unconscious perception has been shown to have a deeper impact on choices in buying situations than initially assumed, and often in retrospective the consumer cannot explain in full the reasoning behind their buying behavior (Chartrand, 2005). This makes it ever more difficult for marketers to comprehend how consumers actually react to different cues. Unanswered questions about the understanding of extrinsic cues' influence on product evaluation are many, and marketers need to dig deeper into the unconscious mind of consumers to get a glimpse of it.

To measure these unconscious reactions a recent and popular development within the field of marketing is as mentioned neuromarketing, which has been developed in the 21st century

(Plassmann, Ramsøy & Milosavljevic, 2012). Using this approach we can measure the effects of different stimuli in consumers' unconscious mind, by e.g. physical reaction patterns such as pupil dilation, perspiration, blood oxygen level-dependent (BOLD) signals etc. This approach has been argued to be a highly effective measurement tool, as these methods are able to grasp *some* of the unconscious consumer reactions (Plassmann, Ramsøy & Milosavljevic, 2012). For our investigation, we deem it relevant to uncover unconscious consumer preferences for a product by the mere influence of the three mentioned factors with the use of an eye tracker that measures emotional arousal via pupil dilation.

It should be noted however that the method in many ways is still on a level of basic research, and is mainly used in research to better understand neurological patterns. However we as researchers still believe it is possible to use results from these kinds of studies combined with conscious data collection methods to get a better and deeper understanding of consumers' perception of products' value. The above arguments have led us to our personal interest for the field of neuromarketing and how it can be used as a tool to investigate, how marketers are better able to grasp the driving of a product's selling points.

The thesis takes on an approach of a product study, since we are investigating the product wine however the results gained will be analyzed in order to make it generalizable to account for products in broader terms.

2. Formulation of research question

Taking the international marketers' challenges into account and the uncertain results of multi-variable experiments, our investigation aims at identifying and evaluating the relative strengths between price, country of origin and consumer nationality. Further we will conduct the experiment with the use of placebo-marketing effects to find if the marketing cues alone can influence how consumers unconsciously and consciously perceive a product. Hence the investigation will measure subjects' unconscious reactions via emotional arousal (with the use of an eye tracker), as well as their conscious perception of the product by asking how much they liked it, and subsequently how much they were willing to pay for it. This investigation will be conducted in order to evaluate opportunities for marketers to use marketing efforts to influence consumers' willingness to pay. More specifically the aim of this thesis is to examine the following research question:

How can marketers affect consumers' willingness to pay with price, country of origin and consumer nationality?

To fully comprehend how we will reach a complete knowledgebase for answering the research question we need to substantiate our line of investigation. Firstly, it is known that price, country of origin and nationality in some ways influence consumers' buying behavior, but there are uncertainties as to what the relative influential strengths between them are. Secondly, we will contribute to the vast amount of existing research by tapping into both the unconscious and conscious product preferences of the consumer. The research question will hence be attempted answered using both conscious and unconscious methods to explore factors affecting consumers' willingness to pay.

Trailing this line of thinking we have raised two sub-questions to support and comprehend multiple aspects of the investigation thereby providing a more thorough approach for answering our research question:

1) *What are the relative strengths between the factors price, country of origin and nationality?*

2) *Does the consumers' unconscious mind form product preferences based on the placebo-marketing effect of extrinsic cues, and if so is it then relevant for marketers to incorporate this into attempts at affecting consumer behavior?*

To correctly address these questions the following will support our underlining motivation for choosing the factors and the comprehension of them as driving consumers' willingness to pay. This will be followed with a short introduction to the investigative approach for this thesis and the elements of the experiment.

2.1. Definition of elements in investigation

Willingness to pay (from here on referred to as WTP) as our chosen measurement unit is just one out of many units that measure consumers' perception of product value. The outcome can likewise be measured by e.g. the emotional value of the product, the social value of the product, the quality of the product, the functional value of the product (Sweeney & Soutar, 2001) and so forth. The reasoning for choosing WTP as unit measurement is that it is an interchangeable unit; easily measured (e.g. by asking subjects at the end of the experiment, what they would be willing to pay for the product) and the unit values are comparable between each subject. Lastly WTP seems to encompass several elements of product evaluation as we assume that amongst others quality, sacrifice and emotional factors influence subjects' willingness to pay.

Price, as an extrinsic cue is probably the most investigated cue through the years (Jacoby, Olson, & Haddock, 1971), and it has been shown to have strong effect on buying behavior in single variable experiments, but the price-buying relationship weakens when multi-variable experiments are conducted (Dodds, Monroe, & Grewal, 1991), (Jacoby, Olson, & Haddock, 1971). Thus making the price cue interesting to investigate, because of its somewhat contradictory influence on WTP.

Country of Origin (from here on referred to as COO) as an extrinsic cue has been given a lot of attention over the years (Peterson & Jolibert, 1995). But as we imply in our introduction managers might need to reevaluate the effects of internationalization, and hence take into consideration that the influence from COO will not vanish with internationalization but merely change in form. These arguments support our choice to investigate COO as a potential influencer on WTP.

Nationality, as an influential factor has likewise been given extensive attention over the years (Hofstede, 1993). Firms crossing national borders are challenged in the well-known business philosophy to truly understand and satisfy their customers (Drucker 1954; Philip 1988 in Nakata & Sivakumar, 2001). This motivates our choice of nationality as an influential factor on consumers' WTP.

In order to answer our research question we will firstly have an inductive approach, as we will undergo a literature review of the three factors in question and make a composition of them, to make tentative conclusions upon. Secondly we will undertake a deductive approach, as we conduct an experimental investigation to seek further understanding of the aforementioned

tentative conclusions and their influence on consumers' WTP. The experimental investigation will further measure consumers' *conscious* perception by asking for liking and WTP of the product, and will measure the consumers' *unconscious* perception via their emotional arousal. By combining these two approaches we aim at finding insights into the field of influential factors on consumers' WTP, which can be applied to give international marketers useful directions for handling of international consumer behavior.

To test the placebo-marketing effect of price, COO and Nationality we have chosen to use wine as product category. The manipulation consisted of presenting high and low priced wines originating from France, Italy and Mexico, whereas in fact we only had one wine i.e. low priced Cabernet Sauvignon from Australia. The type of product chosen is due to an assumption that price, COO, and nationality are factors that can have a strong effect on consumers' WTP for wine from these specific countries. Hence we assume that France and Italy are 'strong wine brands' whereas Mexico is a 'minor wine brand', thus enabling a foundation for significant results (elaborated in theoretical review). Lastly the subjects have been chosen based on their nationality; divided into French, Italian and control group, the latter consisting of different nationalities to represent a control variable. As our focal point is the drivers of consumers' WTP we estimate the above-mentioned factors to give a strong point of departure.

3. Structure of thesis

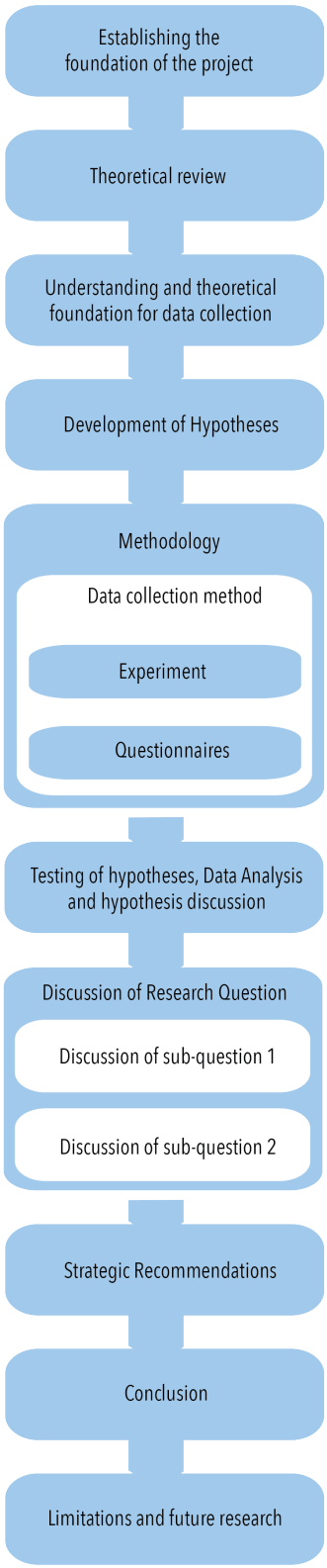

Figure 1:Structure of thesis

3.1. Empirical and literature choices

The literature chosen for the basis of our study is for the most part primary literature by acknowledged academics and theorists. The literature consists of both academic journals from e.g. Business Source Complete and other academic search engines as well as academic books on the specific topic. The empirical findings have been analyzed based on the theoretical insights and statistical measures to answer our research question.

The inductive handling of the theory and the deductive empirical findings laid the grounds for the analysis in this thesis. However if others were to conduct the same research however they might get different results. This is due to needed subjective choices regarding the relevance and analysis of the literature and data, however the influence of these choices on the final product has been kept at a minimum.

4. Theoretical review

The following review offers the reader a theoretical assessment that aims at combining existing literature on the factors price, COO and nationality as well as the relevant unconscious neuromarketing measures. The review consists of six sections, PRICE, COO, NATIONALITY, JUXTAPOSITION of the three factors, UNCONSCIOUS CONSUMER BEHAVIOR and NEUROSCIENTIFIC INSIGHTS. Together these sections will provide the knowledgebase for our theoretical foundation of the investigation. The purpose of the review is to establish a foundation of existing theoretical findings on price, COO, nationality, unconscious consumer behavior and neuroscientific insights respectively in order to derive the influence of these on consumer behavior. These findings are formed as propositions continually through each section to summarize our main findings. The propositions are a means to illustrate the findings of the review, and will be used to discuss and compare against our experimental findings. Founded upon the theoretical review we will build hypotheses to investigate in our data collection, which will subsequently enable us to answer our research question.

4.1. Price

Price is the one direct factor generating revenue (Siggurdsson, Foxall, & Saevarsson, 2010) making it essential to consider as an influential factor. Setting the right price has major implications for firms, but it can be difficult to optimize, due to e.g. the imitation-factor of price setting from competitors (Siggurdsson, Foxall, & Saevarsson, 2010; Rao, 1984). Based on e.g. Monroe (1973), Jacoby, Olson, & Haddock (1971) and Doods, Monroe, & Grewal (1991) it is clear that price has subjective meaning for consumers that will affect their overall WTP. High consumer WTP is essential for firms as this unit of measurement is a good evocation for consumers' final buying behavior. Consequently pricing strategy is important to take into consideration.

The following section presents the development of pricing strategy and the understanding of how firms should consider the factor price in the context of consumers' WTP.

4.1.1. The law of demand

Early pricing theory has its foundation in the law of demand (Siggurdsson, Foxall, & Saevarsson, 2010). The law of demand states that *'…as the price of a good rises, the quantity demanded of the good falls, and as the price of a good falls, the quantity demanded of the good rises, ceteris paribus'* (Arnold, 2008;512). Based on this statement, when setting the price of a product, it is essential to consider the products' price elasticity of demand (Arnold, 2008). The optimal situation when setting a price thus arises when price elasticity is unit elastic (E_d = -1), e.g. meaning that consumers are willing to keep buying the product independently of increases or decreases in price, thereby leading to a situation where a change in price will not affect the total revenue. However this is a scenario that rarely (or never) happens in reality due to e.g. product substitution, product luxury, and consumers' income.

The law of demand, as explained in the above is built on 'ceteris paribus'. Thus meaning it is merely '…*an explanation on how consumers <u>should</u> behave given certain assumptions about their knowledgeability as buyers on the one hand and their goals as consumers on the other'* (Wheatley, Walton, & Chiu, 1977:74, own highlighting). Thus the theory ignores how consumers <u>actually</u> behave. This leads for instance to a gap in siutations where consumers consider price as an indicator of product quality. Hence the idea of a 'brand' is non-existing in demand theory, as consumers' view on products is merely considered a physical entity.

To take factors such as brand into consideration one must acknowledge that price affects behavior on multiple levels and products are more than a physical entity to consumers. Thus a product can then be considered a multidimensional, rather than a one-dimensional variable that changes when price changes e.g. by becoming a luxury good. Hence the negatively sloped standard demand function changes, into a two-dimensional space where each point shows a unique price-quantity relationship (Wheatley, Walton, & Chiu, 1977). This notion makes the appropriateness of the conventional demand theory and the negatively sloped standard demand function questionable (Tull, Boring, & Gonsior, 1964; Gabor & Granger, 1966). Consequently we find it debatable whether the relationship between price and demand of a product is merely inverse because a product is more than a physical entity and carries individual characteristics for consumers.

Building on this notion, the Veblen effect predicts that price can influence consumer behavior in a subjective manner, which is contradictory to conventional demand theory (Leibenstein, 1948). More specifically, the Veblen effect activates, when consumers are willing to pay a higher price for a product otherwise functionally equivalent to lower priced products (Bagwell & Bernheim, 1996). This is because they desire status which is enhanced by a material display of wealth. The social status is derived as consumers signal their wealth when they consume conspicuously to distinguish themselves from others (Bagwell & Bernheim, 1996). Hence the higher price on products, otherwise similar to equivalent products, then functions as an indirect indicator for social status as the ability to pay a high price is a signal of wealth. The literature hereby points to the fact that price also has subjective effects on consumers' behavior i.e. psychological effects from the social status derived from buying higher priced products. The Economist (1993, in Bagwell & Bernheim, 1996:349) emphasizes that *'… retailers can damage a glamorous good's image by selling it too cheaply',* supporting this argument.

But how to account for these properties of price, as an influential factor on WTP becomes a subject of interest. Amongst others Scitovszky (1944) and Olson & Jacoby (1977, in (Zeithaml, 2001)) have suggested that the answer is to investigate price on an individual consumer level as this enables an in-depth understanding of the real influence of price on WTP. This approach and the underlying assumptions will be reviewed in the following section.

4.1.2. Individual consumers and the influence of perceived price

4.1.2.1. Price and perceived quality

The psychological effect of price is part of the individual consumer's decision process, as price becomes a subjective factor that is interpreted differently depending on the individual consumer, and hence affects how consumers perceive product quality.

Scitovszky (1944) was one of the first scholars to start the discussion concerning the price effect on the individual consumer's perceived quality. A vast amount of researchers have contributed to and extended Scitovsky's arguments (Jacoby, Olson, & Haddock, 1971; Gabor & Granger, 1966; Wheatley, Walton, & Chiu, 1977; Tull, Boring, & Gonsior, 1964; McConnell, 1968; Rao, 1984). Findings by Olson and Jacoby (1977, in (Zeithaml, 2001)) further supports studying price on an individual consumer level as their research indicates that external stimuli e.g. objective price, does not have a direct effect on behavior. Instead objective price is initially perceived and interpreted by the consumer to become a perceived price that then will affect the perceived quality. Hence we must recognize that each consumer interprets the objective price individually, making sense of it based among other things on their monetary disposition and prior experience with the product (Scitovszky, 1944; Monroe, 1973).

Overall scholars argue that higher prices lead to higher perceived quality, which will lead to greater WTP (Doods, Monroe, & Grewal, 1991). Their argument rests upon expected market forces, which drives assumptions that the production cost of high quality products is higher than the production cost of low quality products. Supplementary, competitive forces make it difficult for firms to charge high prices for low quality products (Teas & Agarwal, 2000), as competition will always drive prices down if the firm is not able to deliver value. Consequently these market forces are reflected in consumers' perception of quality, as they influence consumers' idea of quality. This stresses the need to understand that perceived price affects the perception of quality, which in turn determine price's influence on consumers' WTP.

4.1.2.2. Effects of price on wine evaluation

In the promotion of wines, there is general acknowledgment of the relationship between price and product quality (Aqueveque, 2008). Furthermore there is extensive evidence of consumers' use of price as a primary cue to assess the quality of wine (Szybillo & Jacoby, 1974). It is hence further illustrated that price seems to be a top priority for marketers when promoting wine, due to the mentioned effect this factor has on consumers' product evaluation (Aqueveque, 2008).

Based on these findings it is relevant to consider perceived price as a main influencer on consumer behavior to understand the *perceived* price effect on *perceived* quality and subsequent WTP. The following proposition is an illustration based on these abovementioned theoretical findings:

P1: Individual perceived price influences perceived quality and thereby drives WTP

In the following we will argue that perceived price not only creates a perception of quality, but also creates a perception of monetary sacrifice, which will influence how much consumers are willing to sacrifice for the item. Hence the aspect of perceived price implies both perceived quality and perceived sacrifice.

4.1.2.3. Price and perceived sacrifice

Dodds, Monroe, & Grewal (1991) found that price can be an indicator of perceived quality *and* perceived sacrifice, and that both of these indicators in turn influence the value of the product, e.g. WTP (Szybillo & Jacoby, 1974). To demonstrate these indicators, the conceptual relationship of price effect is illustrated below in Figure 2, taken from Dodds, Monroe, & Grewal (1991).

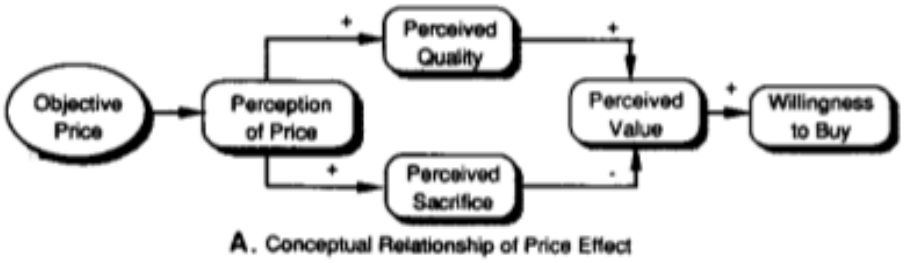

Figure 2: Conceptual price effect model

The figure illustrates that perceived value is the combined effect of perceived quality and perceived sacrifice that is translated to WTP. This assumption is based upon Szybillo & Jacoby (1974), who state that there is a strong relationship between the likelihood of making a purchase and *perceived value*. They further argue that perceived value is defined as 'value for money', thus representing WTP. From the figure Doods, Monroe, & Grewal (1991) argue that perceived price represents a monetary measure of what must be sacrificed to purchase a product, meaning that higher prices might reduce the value of the product. Thus price has conflicting effects on the value as higher prices on one hand have a positive effect on

perceived quality but on the other hand has a negative effect on perceived sacrifice, hence moderating the overall evaluation of the product.

The links between perceived quality, perceived sacrifice and WTP are partially explained by the 'acceptable price range' (Doods, Monroe, & Grewal, 1991). Hence consumers are assumed to have more than one acceptable price for a product for which they would be willing to make a purchase. To better understand this linkage we have constructed a *conceptual* graph to demonstrate it. However it should be noted, that it is conceptual, and the specific linkage will always appear differently for each individual consumer. The model is constructed with inspiration from the text article by Doods, Monroe, & Grewal (1991):

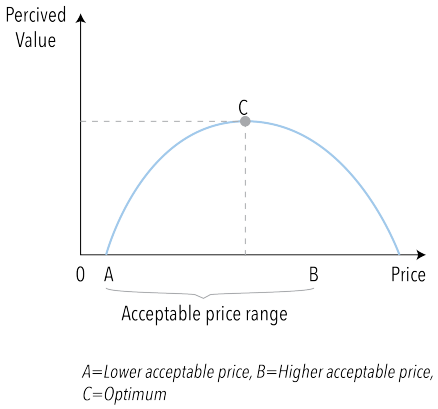

Figure 3: The acceptable price range

The conceptual model shows the 'acceptable price range' for a consumer (the range from A to B). When the curve cuts the price axis it is either because the perceived quality of the product is too low, hence the consumer sees no value, or because the perceived sacrifice is too high, thus consumers' see no value. We recall from Figure 2 that perceived value is translated into consumers' WTP, which supports the relevance of understanding the tradeoff between perceived quality and perceived sacrifice. To explain the conceptual figure further, point A, the 'lower acceptable price' covers the notion that consumers may not only refrain from making a purchase if the price exceeds their higher acceptable price (point B), but may also refrain from a purchase if the price is below their lower acceptable price because of skepticism towards

product quality. Point B, the 'higher acceptable price' covers the notion that consumers have a monetary limit and if this is exceeded, the monetary sacrifice of the purchase will be too high compared to value for money. The curve shows that from price 0 to A the consumer sees no or insignificant value in the product (e.g. due to the positive relationship between quality and price), but from consumers' lower acceptable price (point A) the curve demonstrates how perception of value increases as price increases (e.g. due to the positive relationship between perceived quality and price). This increase reaches a maximum, point C where the optimal solution occurs as the consumer gets the highest perceived value. After point C perceived value decreases, though the price is still within the 'acceptable price range', hence the consumer might still be willing to buy the product as it still has some perceived value. But when reaching and exceeding point B, the 'higher acceptable price', the consumer will see no perceived value in the product due to little or no value for money. These theoretical and conceptual findings are illustrated in the propositions below:

P2: Perceived price is an indicator of perceived sacrifice, which is reflected in the perceived value

P3: Consumers have an individual 'acceptable price range' within which increasing prices leads to higher perceived quality, without increasing perceived sacrifice thereby positively influencing WTP

Up until now we have argued for the importance of perceived price in the evaluation of products, but when considering a realistic buying situation the assumption that price is the only influential factor does not hold. On the contrary the influencing context consists of many known and unknown factors.

4.1.3. The influential effect of price on consumers' WTP

Over time there have been disagreements on *how* important the effect of perceived price is on WTP (Jacoby, Olson, & Haddock, 1971). Wheatley, Walton, & Chiu (1977) found that other factors besides perceived price affects perceived quality of a product, though they still recognize the importance of perceived price for consumers' product evaluation. Monroe (1973) also discusses the influence of perceived price, and finds that it is not necessarily the most important factor. He found evidence that brand names seem more important for some products and possibly dominates price factors. In addition Dickson & Sawyer (1990) found that consumers' knowledge about price is not very high in i.e. shopping situations in supermarkets.

Though the above can explain why single-variable studies of price provides evidence of a strong relationship between perceived price and perceived quality, the relationship weakness considerably when incorporating other factors (multi-variable studies) (Jacoby, Olson, & Haddock, 1971). Hence price as a single factor to determine a product's quality seems not to be valid, as consumers are exposed to a vast amount of different information in a buying situation. This makes it difficult to predict what will actually influence and enhance their WTP. This line of arguments is reflected in the next proposition:

P4: Price is not the sole factor that influences consumers' WTP

Thus measuring several factors that could influence WTP is clearly desirable and the next section will therefore investigate the influence of COO on WTP, by reviewing COO research and theories.

4.2. Country of origin

The effect of COO on consumers' perception of a product was firstly discussed by Dichter in 1962 and tested by Schooler in 1965. The assumption was that a product's origin mattered in consumers' perception of the product quality. It depended on whether the consumer had positive or negative associations with that specific country. Dichter (1962) was the first to claim that culture mattered in marketing and that understanding different cultural traits was essential in understanding consumer behavior. He argued that the 'made in' country-label had tremendous effect on the marketing and success of products. Schooler (1965) found that even amongst Central American countries a COO effect was present and that own country products (from here on OCPs) were valued higher than products representing other countries in the same region. Since these results came out several studies have tried to determine the actual effect of COO on consumer behavior however with varying results (Verlegh & Steenkamp, 1999). Hence COO has been one of the most researched issues in international business (Peterson & Jolibert, 1995). This stresses the need to understand how COO affects the perception of product quality hence some of these studies will be examined in the following and the major tendencies will be accounted for to investigate a possible influence on WTP.

4.2.1. Older perspectives on COO

The root causing all the research was, as mentioned above, the basic idea that there existed a relationship between the perception of product quality and the country where the product originated from. Hence in the minds of consumers, products from certain countries were perceived more positively/negatively based on the images of the originating country. The effect of COO is dependent on product-country images formed by representations of a country's culture, people, products and national symbols (Askegaard & Ger, 1998)

This could for example be Swedish cars. They have been and are still renowned for their high safety and hence consumers pay a premium price for these cars, because the car is assumed to be safer than e.g. a Korean manufactured car although this might not be the actual case. However the higher safety in Swedish cars is an inherent assumption in the minds of certain consumers (Usunier & Lee, 2005).

Up until the 1980's the COO effect seemed to affect the consumers' WTP greatly (Parameswaran & Yaprak, 1987). However the effect was reduced when more knowledge on the product was achieved (Parameswaran & Yaprak, 1987; Usunier & Lee, 2005). The basic assumption at this time was that the COO affected the perceived quality, risk, performance etc., of a product as well as the overall evaluation of the product (Bilkey & Nes, 1982). It could be that products from Third World countries were perceived as having poorer quality and be less safe, simply because these countries were less developed at a social and economic level. The cultural and political climate at the time was a factor influencing the COO effect tremendously (Bilkey & Nes, 1982). This trend can be seen as a natural consequence of the World Wars and the Cold War, which contributed, to a division in the social belief systems (Holsti, 1962).

OCPs were at the time generally considered more positively than foreign products, except however in 'less developed countries' (from here on LDCs). Here the perception of OCPs was worse than for foreign products (Bilkey & Nes, 1982; Ehmke, Lusk & Tyner, 2007). This trend with LDCs struggling with negative product images and hence a poor COO effect was characteristic for the time. Based on this, researchers found that there was a significant difference in perceived quality based on the COO (Ehmke, Lusk & Tyner, 2007), which affected consumers' WTP.

A problem with this line of thinking seemed to arise in the following years, where the importance of COO was questioned, mainly due to the increasing global economy and the blurring of differences across countries.

4.2.2. Newer perspectives on COO

In the 1990's a shift occurred which split the researchers into two groups, some researchers held on to the strong believe in COO as a factor that affected consumers' product evaluations while others claimed that the COO effect was heavily overrated. Verlegh & Steenkamp (1999) emphasized the strong influence that COO effect had on product and quality evaluations. They further stated that COO was not merely a signal of quality but also reflected some emotional or symbolic beliefs by the consumers.

Parameswaran & Yaprak (1987) and Ehmke, Lusk & Tyner (2007) however claimed that the COO effect might be very small or insignificant because so many other factors affect the buying behavior in real buying situations. When other factors such as price, brand and expert evaluations are present the COO effect is significantly minimized. This is not realistically shown in single cue experiments where the COO effect gets unrealistically boosted (Ehmke, Lusk & Tyner, 2007; Verlegh & Steenkamp, 1999; Aqueveque, 2008). Usunier & Lee (2005) also discussed the actual effect of COO when other cues were present. It became clear to them that the COO effect was minimized significantly when other cues such as price were considered. Further Usunier & Lee argued that '…*as the consumer moves closer to a choice the effect of COO is less important'* (2005;289).

4.2.3. Does COO influence consumers' WTP?

Although the importance of COO on buying behavior has been questioned there is still evidence suggesting that consumers prefer OCPs (Hoffmann, 2000). Hence this might have a positive effect on WTP. The prior suggests some form of COO effect, however only concerning OCPs versus foreign products, where consumers generally consider the latter less positive. This tendency is assumed to stem from the fact that consumers support their national identity or a sense of ethnocentrism when purchasing OCPs (Ehmke, Lusk & Tyner, 2007; Usunier & Lee, 2005). This will be discussed in detail in the section reviewing nationality (4.3. Nationality). The next proposition captures the development in the COO theoretical frame:

P5: While the effect of COO is minimized when other factors such as price are present, consumers can still show preference for OCPs due to national mindsets

Thus the literature points to the fact that marketers have to consider this effect when promoting a product, however the effect differs depending on the country in question and hence the nationalistic feeling changes depending on several factors such as individual traits, overall national feelings and a sense of national belonging (Usunier & Lee, 2005). Thus there are several factors that play a part in understanding and using COO as a factor, which makes it difficult for marketers to fully account for the COO effect.

Changes in product and country images occur over time due to different events and affect the influence of COO on consumer behavior (Usunier & Lee, 2005). Usunier (2003) further claims that the overall international development has changed the perception of COO effect within the past 35 years. The effect on WTP is no longer significant because of the changes in e.g. international trade regulations, branding policies, multinational corporations and decreasing consumer sensitivity towards international products. Hugstad and Durr (1986 in Usunier, 2003) & Usunier & Lee (2005) found that more than half of the American consumers are not concerned with where their products originate from. This seems to suggest that the COO effect does not have any real influence on WTP.

Usunier (2003) argues that the COO effect was never really a managerial concern but more an academic debate, and as mentioned earlier, he claims that single cue research tends to overestimate the COO effect significantly. Consequently it seems that the COO effect is becoming ever more blurry and ambiguous because of increasing globalization and a decline in origin labeling for products in general (Usunier, 2003). It is even so that consumers to a lesser extent are exposed to the 'made in' label on products than previously, especially if this is unfavorable (Usunier & Lee, 2005). As a consequence consumers may not even be able to use COO to evaluate perceived product quality, and hence these intentional marketing efforts seem to minimize the COO effect.

4.2.3.1. Effects of COO on wine evaluation

This section pays special attention to the effects of COO on wines from France and Italy as research has been conducted especially with focus on COO effect for these countries. Further recalling from the introduction we assume that there will be a strong COO effect for these countries in specific. Although the COO effect for products in general has been questioned by several academics, it is however still assumed to be an important cue for consumers when

evaluating certain product categories. One such product category is wine, where the COO can have tremendous effect (Bruwer & Buller, 2012). It has e.g. been shown that in Japan the COO has developed to become a wine 'brand' in the minds of consumers. Countries such as France, Italy, US & Australia are considered to be wine brands and consumers are assumed to categorize wines depending on their COO (Bruwer & Buller, 2012).

When it comes to market share French wines have by far the largest market share in Japan, although Italian wines have also performed well in this market. However in the US, Italian wine is more popular amongst consumers than French wine according to 'The 2012 restaurant, food & beverage market research handbook' (2012). This shows how both of these wine producing countries (i.e. France and Italy) are renowned amongst consumers and their COO act as a brand, though without any saying on which of these countries is the most renowned.

Some tendencies seem to show that consumers prefer products with French sounding names including French wines as French products are associated with high-class and design (Leclerc, Schmitt & Lubé, 1994 & Verlegh & Steenkamp, 1999 & Usunier & Lee, 2005). Leclerc, Schmitt & Dubé (1994) also claim that some cultural and national stereotype associaitons exist that affects the consumers' WTP. For French products these stereotype associations are e.g. sophistication, elegance and refined taste (Peabody 1985; Peyrefitte 1976; Pitts 1963, in Leclerc, Schmitt & Dubé 1994). Following this there is support for the relevance of considering such cultural and national stereotypes in the wine product category. Usunier & Lee (2005) however argue that wine is not only associated with France but also other European countries such as Italy, Spain, Germany & Portugal. Studies on Italian products and brands further supports this argumentation as they proclaim that Italian products are preferred when it comes to e.g. fashion due to associations with culture, aesthetics, elegance, beauty, tradition, luxury and life quality (Snaiderbaur, 2009).

These findings capture the relevance of investigating COO's influence on WTP for wines. Hence the findings illustrate that COO can have an effect but that it seems to depend on the product category and country in question. This is summed up in the following propositions:

P6: Consumers use COO in the product evaluation of wines

P7: Consumer tendencies show a preference for French and Italian wines because of related positive associations with these countries

Henceforth it is underlined that the influence of COO depends on the product category and that this is paramount to acknowledge when assessing whether or not COO has an effect on

consumers' WTP. Cultural and national stereotypes associated with France and Italy seems also to be important in order to understand what effect COO has on wines from these countries.

4.2.3.2. Product knowledge

According to Bruwer & Buller (2012) the more knowledgeable a consumer is regarding the wine; the more they rely on intrinsic cues and vice versa. Hence less knowledgeable consumers are assumed to rely more on extrinsic cues such as COO in their purchasing decision. We recall from the motivational introduction that marketers can affect extrinsic cues to form consumer WTP. Building on this we now know that the importance of extrinsic cues depends on the amount of complementary information (e.g. price, expert evaluation) presented to the consumer at the point-of-sale (from here on POS) (Aqueveque, 2008). More specifically, if consumers do not have extensive knowledge on wines or have expert reviews, extrinsic cues such as COO are important in the evaluation process. Thus the next proposition demonstrates this theoretical finding:

P8: COO will affect consumers' WTP when they do not have extensive knowledge or expert reviews on wines

The theoretical findings suggest that the COO effect has lesser effect now than it had 30-40 years ago due to the increasing globalization and internationalization. However some researchers still hold on to the belief in a COO effect, which might also be justified for product categories such as wine, where extrinsic cues can be more important in the evaluation process. For the category of wine especially France and Italy are favorites amongst consumers. According to academics this is presumably due to the positive associations and quality assumptions built in the assessment of COO for these countries.

As clarified for both price and COO, the importance of these as influential factors diminishes when other factors are present hence the next section will investigate the influence of nationality when consumers are evaluating products originating from their home country versus other countries. This section on COO already indicated the importance of nationality, as it seems to affect how consumers assess OCPs, which will be further elaborated in the following.

4.3. Nationality

Consumer nationality has been discussed and investigated for over a century as having an inherent effect on people's behavior. As early as 1906 Sumner argued that ethnocentrism had an effect on people's perception of groups and belongingness (in Sharma, Shimp & Shin, 1995). Ethnocentrism has later been argued to affect consumer behavior as well since it affects the perception of national products versus foreign products (Sharma, Shimp & Shin, 1995). In this sense consumers prefer OCPs to foreign products as this is a way to support their national identity and due to an assumption that national products are of better quality than foreign products (Sharma, Shimp & Shin, 1995). This point was also touched upon in the section regarding COO, hence these factors are coherent, and we therefore need to consider the propositions made in the COO section to understand the effects of nationality on consumers' WTP (4.2. Country of origin).

More recent studies on nationality have in line with the above argued that there are two types of consumers in today's society – ethnocentric and non-ethnocentric (Watson & Wright, 1999; Lantz & Loeb, 1996). The ethnocentric consumers strongly prefer OCPs even in cases when they are known to be inferior to foreign products thus possibly yielding higher WTP (Watson & Wright, 1999). When foreign products have to be considered by these consumers, products from culturally similar countries are preferred over products from culturally dissimilar countries. These introductory theoretical findings can be illustrated by the following proposition on consumers' nationality and their attitude towards OCPs:

P9: The ethnocentric consumer prefers OCPs or products from culturally similar countries to foreign products

Building on this we briefly turn to the field of research where our own experiment is to take place, i.e. neuromarketing, as neuroscientists have looked at people's responses to culturally familiar drinks (Coke and Pepsi) (McClure et al., 2004). It was shown that when the familiar drink was presented by label the subjects had a much stronger neural reaction towards the product than when they had a blind test. From this it can be presumed that people seem to prefer the known and familiar choice like the preference for e.g. McDonalds or French wines. Hence different nationalities may prefer their OCPs simply because they are more exposed to and familiar with these. This finding is illustrated in the next proposition:

P10: OCPs might be preferred simply because consumers are more exposed and familiar with national products

4.3.1. Developments in theory on consumer nationality

The most renowned and cited academic in the field of nationality is Geert Hofstede (1983, 1993), who investigated the cultural differences between different nationalities within IBM. He claimed that even within the same international corporation the national culture affected management styles. The effect of nationality on management styles and consumer behavior has been discussed by academics both before and after Hofstede's breakthrough theory on the subject. However his theory has achieved wide attention and has been adapted to account for differences in consumer behavior on the influence of how much they are willing to pay for products (Usunier & Lee, 2005).

Not all academics agreed with Hofstede's cultural dimensions and the contributions they have made. One of the critics is Nigel Holden (2004) who argues that the findings were outdated and that they do not hold a marketing standpoint, and hence is of limited worth to marketers. Holden (2004) suggests a more dynamic approach to international marketing that looks at consumer behavior rather than management styles and is updated to the 21st century as Hofstede's analysis is based on data from the 1960-70's.

Other critics also argue that Hofstede is too general in his cultural theory and that generalizations cannot be based on nationality alone (Clark, 2003; Alden et al., 1999). Clark (2003) therefore argues that new research should go beyond Hofstede and not merely build on top of it, as a taken for granted assumption. Alden et al. (1999) argue that there *is* in fact such a thing as a global culture for example the teenage culture encouraged by the global network of MTV. Theodore Levitt (1983) also argues that the world was and still is becoming increasingly globalized and hence the consumption patterns are becoming more uniform across the globe. Consumers care less about the origin of the product or about strengthening the nationalistic feeling of self thus underlining that nationality does not have an influence on WTP (Levitt, 1983; Holden 2004). This is contrary to Hofstede's and others' view of culture and nationality in consumer behavior.

Hofstede himself however also acknowledge that his research should be used as a way to stimulate researchers to come up with more sophisticated models and not as a stand-alone checklist for international marketers (Clark, 2003). However despite the extensive criticism, Hofstede's theory on culture is still the most prevailing for international marketers when

analyzing and understanding cultural differences and is being widely applied (e.g. Leng & Botelho, 2010; Usunier & Lee, 2005; Mingxia, Quan & Xuan, 2006).

4.3.2. Change of scenery - national versus international culture

It was during the time when Hofstede's theory on cultural cues was published that the focus of marketers changed from mainly national to international (Holden, 2004). There was an expansion of multi-national and globalized corporations as well as an increase in cross-national sales (Levitt, 1983; Martinez & Jarillo, 1989). Over the past decades the focus on international marketing has been increasing steadily in an ever more globalized world, but the theoretical findings seems still to support the relevance of understanding cultural traits and differences.

Global corporations' localization strategies in the past decades prove the need for marketers to be culturally sensitive as de Mooij & Hofstede (2002) argue. This is exemplified by Coca-Cola and how they in 2000 decided to *'…get closer to local markets because of declining profitability'* (de Mooij & Hofstede, 2002;61). It has been reflected in companies' revenue that standardization of campaigns is not always the best marketing approach, but that consumers respond better to localized strategies fitted to the specific culture/country.

But then again others, such as the anthropologist Jonathan Friedman (1990) states that the ownership of western products and brands symbolizes status and wealth and hence are of high perceived value. According to this view a stable national culture is threatened by the globalization of western symbols and products such as blue jeans, Gucci purses and pop music. This questions the perception of a stable national culture, as Friedman argues that we are moving towards a more unified global culture with a preference for western society and culture.

Based on the above there is a clear division between researchers within the field, who as Hofstede and de Mooij has the perception that national culture is stable and researchers such as Levitt, Friedman and Holden, who argue that culture is more dynamic and global. The research of today seems to either criticize or build on top of Hofstede's theory, however no other theorist within the field of cultural studies has since come up with a more extensive and prevailing theory. In order to illustrate the theoretical views, two propositions regarding the role of national culture are needed to reflect both sides of the debate, especially as none of the prevailing theories have made superior findings.

P11: Researchers such as de Mooij & Hofstede (2002) perceive national culture as stable hence the influence of nationality when evaluating products is relevant as consumers are affected by their cultural beliefs

P12: Researchers such as Levitt (1983), Friedman (1990) and Holden (2004) perceive the influence of nationality when evaluating products to be diminishing because consumers are moving towards are more unified global culture

To sum up the above findings it seems evident that there is no straightforward answer to the question of whether nationality matters in consumer behavior. However taken together it can be argued that nationality has some effect and that there are differences in consumption patterns across nationalities. Even the critics of Hofstede's research do not reject the existence of a nationality effect, however they argue that this is not stable over time and has changed due to the globalization and technological advances. The degree of this effect is hence difficult to determine and by the words of Friedman: '…*the interplay between the world market and cultural identity, between local and global processes, between consumption and cultural strategies, is part of one attempt to discover the logics involved in this apparent chaos'* (1990;312).

Emphasizing that both price, COO, and nationality can influence consumers' evaluation of products, i.e. their WTP, we need to understand their relative strengths. We further recall the conclusion that conducting multi-variable studies, as oppose to single variable studies, will change the strength of each variable, because more information is available for the consumer to evaluate. Hence the next section will review the importance of each factor and capture what we up until now know about their influence on WTP. This will serve as our point of departure for investigation what the relative strengths are between the given factors.

4.4. Juxtaposition: Price, COO & Nationality

This section is a means to capture and sum up implications from our previous theoretical findings on the three factors in order to make overall assumptions on the comprehension of the factors' influence on WTP both individually and collectively. Understanding the relative strengths of the factors is important, in order to provide applicable guidelines for the marketers. Following this it is shown from the theoretical review that COO should also be understood in the context of consumer nationality and vice versa (due to the OCP effect),

hence this will also be further elaborated in this section. At this point it is unclear what these relative strengths are and how they affect the outcome of WTP.

Up until this point the theoretical review has underlined the assumption that the extrinsic cues price and COO combined with nationality, mediates an influence on the consumers' perception of a product. Following this, two assumptions stand, firstly that consumers' WTP is based on trade-offs between product quality and monetary sacrifices (e.g. price), and secondly that consumers' perception of quality and monetary sacrifice can be partly based on extrinsic cues such as price and COO (Doods, Monroe, & Grewal, 1991; Teas & Agarwal, 2000). To clarify, for COO we only found theoretical evidence supporting the influence on WTP through perceived quality of the product, and for price we found evidence supporting an influence on WTP through both perceived quality and sacrifice. From this we are now able to conclude that there is some kind of relationship between the three factors and WTP, which appears mediated by perceived quality and perceived sacrifice.

4.4.1. The relative strength of price

As aforementioned it is at this point not possible to say anything specific about the relative strength of price in combination with the other factors. However Jacoby & Olson (1977, in Zeithaml, 2001) argue that extrinsic stimuli such as price do not have a direct effect on behavior, but only an indirect effect. More specifically, that price has to be perceived and interpreted by the individual consumer before it has any impact on behavior. Thus the displayed price can have very different meaning for each consumer, and perhaps the individual linkage between perceived price and WTP could change when consumers are exposed to other factors as well. Building on this the relative strength of the factors might be dependent on the specific factor-composition. Based on this the next section will review the relative strength of COO.

4.4.2. The relative strength of COO

COO is, just as price, an extrinsic cue and hence we find it plausible that as extrinsic cues, COO and price have comparable characteristics in the influence on consumers' WTP. This is supported by the argumentation that price needs to be perceived and interpreted individually

by consumers before it affects behavior, which it seems reasonable to assume is also true for COO (Doods, Monroe, & Grewal, 1991).

Further, to evaluate the influence of COO on WTP, it seems to be essential to take consumer nationality into account due to the OCP effect. Thus it is underlined that when investigating the COO effect it must be done in conjunction with nationality to understand the real influence on WTP.

Teas & Agarwal (2000) suggest that besides having a direct effect on consumers' perception of quality, COO also serves as a moderator on other extrinsic cues, e.g. perceived price (Teas & Agarwal, 2000; Chao, 1993). More specifically the moderator effect means that e.g. the perception of price may differ due to the influence of COO. To explain further, Chao (1993) argues that having high/low confidence in a country's quality production in general can affect consumers' product perception to be of high/low quality. This in turn means that consumers may be less likely to use price as a sole indicator of quality, if they already perceive the product to be of high quality based on the COO. The other way around price might also have a moderator effect on COO, if the associations for that country are not specifically branded within the product category. All in all it remains unclear how and if COO really has any effect on WTP and if it has a moderator effect on other factors, as there have been many conflicting results of COO's real influence. Though we do recall that there is theoretical support for COO's effect in evaluations of wine.

4.4.3. The relative strength of nationality

There are many consumption differences across countries (de Mooij & Hofstede, 2002), and hence it can be expected that nationality might have an effect on WTP. Consumers' nationality might have an indirect effect on the role of COO, in that different nationalities may have dissimilar confidence in a country's ability to produce high-quality products. A suggestive explanation for this effect could be the phenomenon 'cultural similarities' (Watson & Wright, 1999; Lantz & Loeb, 1996), where consumers have a tendency to have greater confidence in high/low product quality from countries similar/dissimilar to their own country and culture. Again it is at the point not certain as to how nationality actually affects WTP, but the theoretical findings indicate that nationality and COO should be interpreted in coherence with each other to get the full benefit of their influence on WTP.

From the above it seems plausible that the factors price, COO and nationality do have an effect on consumers' WTP, however the consumers may not be fully aware of this effect and their actual buying behavior may not be as conscious as they might think. This leads to the next section on the effect of the unconscious consumer behavior.

4.5. The unconscious consumer behavior

In general consumer behavior is often measured by consumers' conscious perception preceding the buying of a product. Some marketers however argue that consumer behavior in certain cases is unconscious e.g. because 'behavior' exceeds 'attitude' (Woodside & Brasel, 2011; Dijksterhuis et al., 2005). Certain stimuli in the environment may affect our unconscious mind and hence our wants and needs. This could be marketing efforts using phrases such as 'for a limited time only' or other phrases indicating e.g. scarcity, commitment, authority etc. (Dijksterhuis et al., 2005).

Human beings often imitate what they see around them, and hence consumer behavior is also affected by the actions taking place around the consumer. This along with other more or less conscious factors affects the consumers whether they are aware of it or not. As an example North, Hargreaves & McKendrick (1997) found that if French music played in a store, sales of French wine rose. Similar results were present when German music was playing, hence sales of German wine rose. An unconscious reaction to the music playing seems to be the only plausible explanation of this tendency, which points to the significant effect the unconscious mind has on consumer behavior.

This research shows the effect of unconscious factors on consumer behavior and hence the need for marketers to understand and make use of these factors. 'Traditional' marketing measures are not able to capture these unconscious effects, as they merely ask the consumers about their reasoning for purchasing a certain product. However, if the unconscious mind affects purchasing behavior then the conscious mind may not be aware of the exact reasoning behind it. Thus these 'traditional' methods may yield inaccurate or false insights to marketers. To prevent this and to tap into consumers' unconscious mind marketers could e.g. investigate consumer behavior with neuroscientific tools to map the unconscious effect the factors have on consumers' behavior. A brief review of this will be made in the following.

4.6. Neuroscientific insights for theoretical understanding

This next section aims at giving the reader the proper theoretical foundation for understanding how we will tap into consumers' unconscious mind and extract emotional reactions to the placebo marketing effects of price and COO in composition with effects from subject nationality. We recall that the placebo marketing effect is the manipulation of the extrinsic cues exposed to subjects, in order to capture the 'pure' marketing effect on WTP.

The neuroscientific methodology of this thesis includes, as previously mentioned, the use of an eye tracker to measure pupil dilation. Pupil dilation can be used to measure emotional arousal based on the fact that emotionally arousing events both pleasant and unpleasant generate an increase in pupil diameter (Bradley et al., 2008). Hence pupil dilation can potentially be a valid tool in the analysis of emotional responses, although it lacks the emotional valence – whether the emotions are positive/negative.

Reactions to visual stimuli affects emotional arousal, which can be measured through e.g. pupil dilation as in this case (Bradley et al., 2008). Emotional arousal is a bodily response to stimuli presented to the subject. The arousal typically takes place unconsciously as the subject does not control mechanical responses to an event. The arousal is therefore best measured as the physical response to the stimuli presented to the subject by using e.g. neuroscientific methods. This 'direct' method can measure the level of pupil dilation as well as other emotionally unconscious reactions (e.g. brain activity, perspiration) when presented with the stimuli (Dolcos, LaBar & Cabeza, 2004; Groeppel-Klein, 2005).

For marketing research, measuring the respondents' emotions through their pupil dilation is relevant because emotionally arousing events create a stronger memory and hence preference for a product (Dolcos, LaBar & Cabeza, 2004). Dolcos, LaBar & Cabeza go on by arguing that consumers have stronger memory for emotionally arousing events because *'…they receive deeper semantic processing and working memory resources during encoding'* (2004;72). Groeppel-Klein (2005) further argues that phasic emotional arousal, which is a short-term response to specific stimuli, is the driving force for decision-making at the POS. Coupled with Dolcos, LaBar & Cabeza's predictions, this indicates that events or products that create emotional arousal in the minds of consumers at the POS make them more prone to remember and choose this product or event again as well as being more excited about it. From this line of findings a proposition is illustrated to understand the use of an eye tracker in our experiment:

P13: Pupil dilation can be used to measure emotional arousal, which has been associated with stronger memory, decision-making and preference for a product

The appliance of neuroscientific methods to analyze consumer behavior has the advantage that measures such as pupil dilation, unlike conscious measures, do not seem to have any response biases. Pupil dilation however cannot tell whether the respondent is experiencing positive or negative emotions (emotional valence), but only the level of emotional arousal (Bradley et al., 2008), as touch upon in the prior.

4.7. Conceptual understanding of Price, COO & Nationality

As evident from the theoretical review in our previous sections, existing research on the effects of price, COO and consumer nationality is primarily focused on the conscious understanding of consumer reactions (in the experiment measured by subjects' liking and WTP). Our aim is therefore to combine neuroscientific measures (in the experiment measured by subjects' unconscious emotional arousal by an eye tracker), with conscious measures to better understand consumer preferences. The next section will present a conceptual model to give a brief overview of what we have established from our theoretical review, followed by an explanation of how we will precede with these insights. Lastly we will summarize the theoretical review and provide an outline of the propositions.

The conceptual illustration below is a means to give the reader an idea of what the theoretical review rests upon. The figure illustrates the three factors in combination with the conscious (in the experiment measured by subjects' liking and WTP) and unconscious (in the experiment measured by subjects' emotional arousal by the eye tracker) consumer behavior. We will in our discussion present the model again after having acquired more knowledge from the experiment and present to how the factors relatively influence WTP.

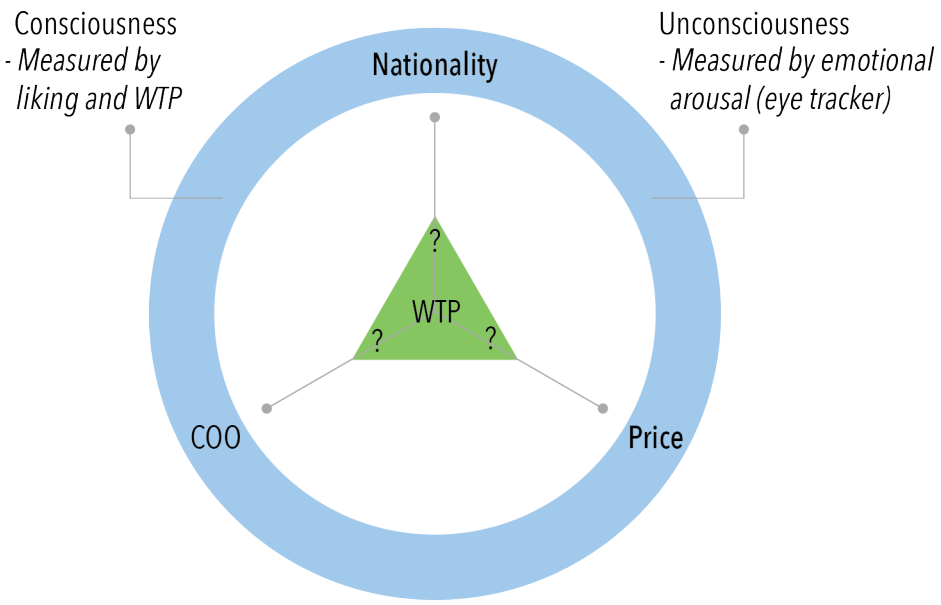

Figure 4: Conceptual model of the factors

Summing up based on the figure, we see an illustration of our lack of knowledge on how the three factors' relative strengths will affect WTP, i.e. the question marks. Furthermore at this point we acknowledge that the consumers are affected both unconsciously and consciously by marketing efforts. But at this stage we do not know if there will be significant unconscious reactions that can be related to the conscious decision of how much consumers are willing to pay. We will return to this model in our analysis to reflect upon its relevance with the knowledge gained (see Figure 21: Post conceptual model of the factors).

4.8. Summary of theoretical review

In this theoretical review we have investigated literature relating to the effects of price, COO and nationality on the one hand, and the unconscious consumer behavior, on the other hand. Lastly we reviewed the theoretical foundation for using neuromarketing to better understand this unconscious consumer behavior. The next section will summarize the literature findings and will be followed by an overview of our propositions.

We found that price is more than an objective stimuli generated from demand and supply. Instead price needs to be perceived at individual consumer level, as it is both an indicator of perceived quality and sacrifice of a product. This indication in turn affects consumers' perception of value. Thus perceived value is important to understand in order to comprehend and analyze consumers' WTP. Though price has been shown to have prevailing influence on consumers' buying behavior the literature findings emphasized that this influence diminishes in multi-variable studies. Thus for now we know that price presumably has an influence on WTP, but we have no grounds for determining its relative strength when combined with the other factors.

The effect of COO has changed, and some scholars believe it has insignificant influence on consumer behavior however others believe it is still significant. We did find theoretical evidence that COO could influence consumers due to national and ethnocentric feelings, namely consumers' desire for OCPs. Though some literature findings suggested that this desire was merely due to the fact that consumers are more exposed to OCPs, hence they are more prone to purchase these. Furthermore we found theoretical insights indicating that COO will affect consumers in their assessment of products, when they do not have extensive knowledge on this product. As with price, scholars have found that in multi-variable studies the effect of COO is presumably minimized due to the relative strength of other factors. Lastly the effect of COO, as for price, seems to be understood at an individual level as e.g. consumers' nationality can influence the perception of COO. All of these findings generate doubts as to the real effect of COO, but nonetheless we found literature to support consumer tendencies indicating preferences for French and Italian wine due to positive associations with these countries. Hence there might be substance in using France and Italy as brands in themselves when referring to the wine product category. Following this we conclude that it is relevant to investigate COO, as it can have an effect on specific product categories.

Consumer nationality has also divided scholars as research on one hand points to stable national cultures, and on the other hand global culture. Thus discussions on how internationalized consumers have become and will become is still prevailing in international marketing theory. In our review we did find theoretical evidence suggesting that ethnocentric consumers will prefer OCPs and products from culturally similar countries. However we need to recall from the COO theory that the effect of OCPs might merely come about due to higher exposure frequency to these than to foreign products. Overall the influence of nationality seems to be ambiguous in terms of how much it affects consumers' WTP. Thus as with price

and COO we therefore argue that nationality seems to have an effect on consumer behavior, but at this point we are unknowledgeable as to how influential nationality actually is.

Building on the overall influence of marketing efforts we further found theoretical evidence suggesting that the unconscious part of the evaluation of a product can be important for marketers to recognize. To further understand the unconscious placebo effect of the marketing factors the relevance of using neuroscientific measures, i.e. an eye tracker, is relevant. This is based upon the research showing that pupil dilation can measure emotional arousal, which hence captures whether consumers find unconscious appeal in the product or not.

4.8.1. Theoretical propositions

In the course of our theoretical review we derived 13 propositions summarized in Table 1 These propositions should be understood as a means to illustrate the main findings and elements derived from the theoretical review. They furthermore serve as a basis for a comparison between the theoretical findings and our empirical findings in the discussion.

P1	*Individual perceived price influences perceived quality and thereby drives WTP*
P2	*Perceived price is an indicator of perceived sacrifice, which is reflected in the perceived value*
P3	*Consumers have an individual 'acceptable price range' within which increasing prices leads to higher perceived quality, without increasing perceived sacrifice thereby positively influencing WTP*
P4	*Price is not the sole variable that influences consumers' WTP*
P5	*While the effect of COO is minimized when other factors such as price are present, consumers can still show preference for OCPs due to national mindsets*
P6	*Consumers use COO in evaluation of wines*
P7	*Consumer tendencies show a preference for French and Italian wines because of related positive associations with these countries*
P8	*COO will affect consumers' WTP when they do not have extensive knowledge or expert reviews on wines*
P9	*The ethnocentric consumer prefers OCPs or products from culturally similar countries to foreign products*
P10	*OCPs might be preferred simply because consumers are more exposed and familiar with national products*
P11	*Researchers such as de Mooij & Hofstede (2002) perceive national culture as stable hence the influence of nationality when evaluating products is relevant as consumers are affected by their cultural beliefs*
P12	*Researchers such as Levitt (1983), Friedman (1990) and Holden (2004) perceive the influence of nationality when evaluating products to be diminishing because consumers are moving towards are more unified global culture*
P13	*Pupil dilation can be used to measure emotional arousal, which has been associated with stronger memory, decision-making and preference for a product*

Table 1: Propositions

5. Theoretical foundation for data collection

In the following section we will use the insights gained from the literature review, to support and build the foundation for our data collection. Firstly the choice of product category is substantiated. Hereinafter we will describe how we have developed the design of our data collection. Lastly we will support the choice of the factors and how we are to measure them in the experiment.

5.1. Product category: Red wine

Before we outline the process of the data collection it is relevant to understand why we chose to use wine as product category. For the sake of the results we chose to use red wine as our product of choice for the testing. This was due to an array of reasons. Firstly wine in general is a product that is difficult to assess the quality of before consumption and hence consumers often use and rely on extrinsic cues such as price, COO etc. in the judgment of the quality of wine, especially in cases with little or no knowledge regarding the wine (Speed 1998; Lockshin and Rhodus, 1993). This is due to a relatively high proportion of experience properties in the wine category, due to the reliance on extrinsic cues as a quality measure prior to consumption (Nelson, 1970; Laband, 1991). Secondly based on the previous it is relatively easy to manipulate the subjects into thinking they are actually tasting 6 different wines, when in fact it is all the same wine. This way it will be clear that the findings are almost purely based on the manipulation and placebo-marketing effects and hence our results will be strengthened. Thirdly the use of wine in our experiment is due to it being relatively easy to administer and further because the storing of red wine is simple as it can be kept at room temperature. The wine had to be 'plain', not being too characteristic in its taste in order to manipulate subjects into believing they were actually tasting different wines. Hence we decided to use a low priced Cabernet Sauvignon from Australia.

5.2. Design development of experiment

The reasoning for choosing a neuroscientific methodology as part of our data collection was due to the conviction that consumers are not fully aware of their own behavior and choices, as mentioned in 4.5. The unconscious consumer behavior. Hence by only using conscious measures we assumedly would not get a holistic answer to our research question. This led us to choose eye tracking as the method to measure the emotional arousal of the subjects as mentioned above (4.6. Neuroscientific insights for theoretical understanding). Based on this reasoning the data collection method logically became an experiment. This is due to the nature of neuroscientific data collections.

The countries used to assess the cue COO were Italian, French and Mexican. The latter was chosen as a 'control variable' in that it should represent 'non-branded' wine countries that consumers do not hold strong preferences towards. The prior two – Italian and French, were

chosen since these are the two most renowned and liked (Bruwer & Buller, 2012; The 2012 restaurant, food & beverage market research handbook', 2012).

5.2.1. Process of experiment

The data collection started out with the test subjects being presented to the laboratory we used at CBS called Senselab. Further an introduction/briefing to the data collection and the tools (eye tracker and computer) respectively written and orally was made. Following the briefing came the actual experiment on the eye tracking screen, where the subjects were presented with images of the flag, price and label of the 6 different wines (13. Appendix, A1). The eye tracker would measure the pupil dilation and hence their emotional arousal according to the images and each component (flag, label etc.). These images were shown for 6 seconds so that the test subjects would have to prioritize their attention. Further it acted as a way for us to make sure they could not analyze the image in too much detail, and the subsequent rating would be based on their initial thoughts – their 'gut feeling'. The next image would ask the test subjects to taste the sample of wine that we would provide them with. After tasting the wine the subjects were asked to rate how well they liked the specific wine on a scale from 0-100. Lastly the subjects were asked to rinse their mouth with water before repeating the series of images again, however with a different wine. The series of images were repeated for the 6 wines over two rounds.

When the series of images had come to an end, the subjects would be presented with a series of written questionnaires. These questionnaires included recognition through: top of mind recall, category cue recall and brand recall. These were followed by a questionnaire regarding the subjects' liking and WTP on a scale from 1-300 DKK for the wines as well as their associations regarding the wines (see Figure 5 below). Lastly a debriefing took place where the subjects were asked about their thoughts on the experiment as well as being told the actual purpose of the experiment e.g. that the wines they had tasted was actually all the same wine and not different wines as they were initially told.

We deem it relevant to let the reader understand that in the process of our data collection and subsequent preparations of the statistical analysis, we found that our collected data had almost too much potential for us to grasp in this project. Thus we decided that the use of the first two of questionnaires, i.e. recognition and associations would be overwhelming. Not because they were not relevant, but we found that the topic of recognition and consumer

associations would be outside the scope of this project and the data set could not be handled by the software program. Henceforth concerning the questionnaires, we will in the following focus on the last part of the questionnaires where subjects were asked how much they were willing to pay for each wine, as this is an essential part that is necessary for answering our research question. We will return to the use of understanding consumer recognition and associations in 11. Limitations and Future research.

Figure 5 below provides a simplified overview of the experiment set-up for the reader to understand the specific steps that subjects went through over the course of the experiment.

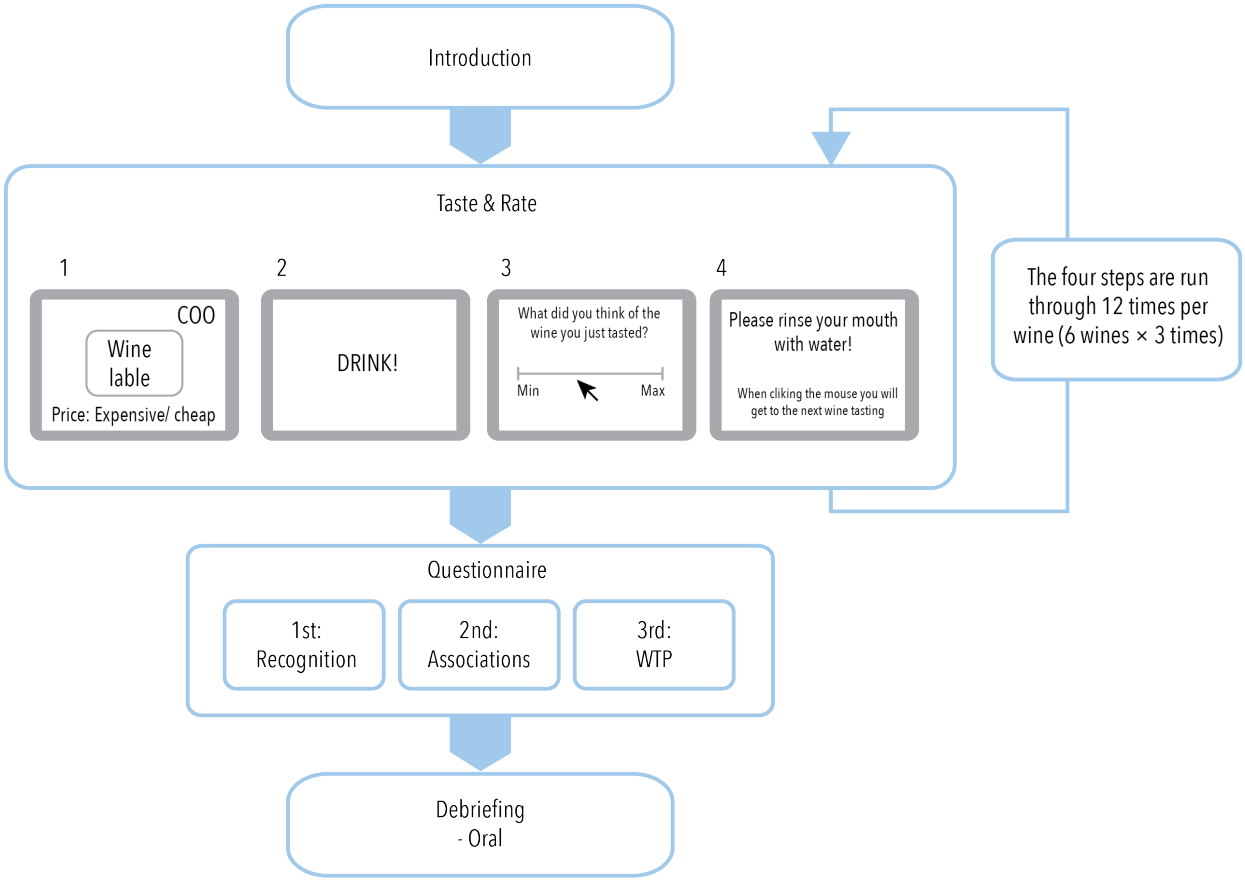

Figure 5: Experiment set-up

The subjects were told that they were recruited to test 6 different wines over two rounds to test the preferences for brands and wine countries (see 13. Appendix, A2). However in reality the wine that the subjects tasted was all the same and originated from Australia, and the 12

tastings all contained wine from the same bottle. This way the differences in arousal (unconscious), liking (conscious) and WTP (conscious) was solely based on the marketing effects price, COO and subject nationality. The computer randomly chose the ordering of the wines, and hence any biases based on the liking of the first/last etc. wine presented were hence minimized.

5.2.2. Measuring the factors Price, COO and Nationality

5.2.2.1. Measure price

The literature review showed that the effect of price on WTP is positively correlated however affected by consumers' individual traits, perceived quality of the product as well as other factors (e.g. COO). Based on these theoretical assumptions the measurement of price in the data collection was to test whether high versus low price of a product had an effect on the subjects' WTP.

To measure the price effect the wines were priced either relatively high (200-300 DKr) or relatively low (30-40 DKr). For each COO there was one 'low price' cued and one 'high price' cued wine, hence in total three expensive and three cheap wines. The expensive and cheap wines however differed for every other test subject, which means that if one subject had e.g. Chianti (see 13. Appendix, A3) as the expensive wine, the next subject would have the same wine as the cheap wine and so forth. This was to minimize biases regarding other factors affecting the measurement of the price effect. By doing this we attempt at capturing if the wines are being rated higher due to expectations of tasting an expensive wine, and hence whether there exists a price effect on the product category wine. Further the pupil dilation of the subjects according the price of the wines is analyzed, to see if subjects react stronger emotionally when presented with expensive wines relative to cheap wines.

5.2.1.2. Measure COO

The factor COO does in general not seem to have a significant effect in the 21st century according to the main part of academics in the literature review. However for the product category wine there seems to still be a significant effect and a preference for Italian and French wines in particular.

This effect is measured by whether subjects have a preference for wines from a specific country (France, Italy or Mexico). Especially the control group will be the determinant in this

part of the data collection, since for the groups Italian and French an OCP effect would, according to the literature be expected. To measure this factor we presented the test subjects with 2 wines originating from France, Italy and Mexico respectively (6 in total) and rated how each subject liked the wines as well as their pupil dilation when presented with flags representing the COO. The COO effect can be analyzed statistically as the liking (conscious) and pupil dilation (unconscious) of the factor COO and the subsequent WTP (conscious).

5.2.1.3. Measure Nationality

The factor nationality is according to the literature review strongly influenced by ethnocentrism and hence implies a preference for OCPs or products from culturally similar countries.

Building on this it can therefore be expected that e.g. French subjects will have a preference for French wines affected by the fact that it is French. This is hence strongly correlated with the factor COO, as mentioned above. This factor cannot be manipulated, and hence subjects would have to be recruited based on their nationality as the primary factor. Hence approximately 1/3 of respondents were French and Italian respectively and 1/3 would be the control group with a mixture of nationalities to act as the control variable. The analysis of this factor is then a correlation between the subjects' nationality, their preference for wines from France, Italy or Mexico and their subsequent WTP for these wines.

To answer our research question regarding these factors and their effect on WTP, a statistical analysis of the data from the data collection will take place. The statistical analysis will show the singular effect of each factor on WTP as well as a correlation of all factors on WTP to see, how they in combination affect WTP. These results will be compiled and further analyzed with regards to subjects' unconscious reactions to the factors, in order to see if the unconscious reactions (arousal) trail the conscious choice of how much subjects liked the wines and their subsequent willingness to pay.

In the following section we will use the theoretical foundation and knowledge gained to develop hypotheses on which we will base our further investigation.

6. Hypotheses

The hypotheses are built upon our theoretically gained knowledge to explore whether the theoretical findings are supported by empirical findings. We argue for this approach, as it will

give a solid foundation for answering our research question and sub-questions. From the literature review we know that the factors under investigation can have an impact on consumers' buying behavior. Trailing this notion we further know that the effects of the factors vary depending on e.g. the product in question and whether or not it is a single variable study or a multi-variable study. The next section uncovers the hypotheses under investigation in the experiment.

6.1. The impact of placebo-marketing effects

We build the hypotheses upon our obtained knowledgebase from the theoretical review of price, COO and nationality and their plausible impact on decisions made by consumers. Hence the aim of our hypotheses is to acquire more knowledge on neural mechanisms' response to marketing actions and the relative relationship between these actions. We propose that placebo-marketing effects such as changes in the extrinsic cues price and COO (Plassmann et al., 2008) together with individual factors i.e. subjects' nationality can affect neural representation of subjects' WTP.

This effect has been empirically shown with regards to experienced pleasantness by Plassmann et al. (2008) in that they tested subjects using functional MRI. Subjects' brains were scanned while they tasted wines that were of a different price and a different brand than the subjects were informed. Using only three different wines, instead of the informed five, one of the wines were distributed twice with respectively high price and low price shown, the authors ran six trial types (i.e. wine, 1, wine 2, wine 3, wine 1/high/low price, wine 2/high/low price, neutral solution). The wines were administered in random order. Simultaneously with the shown price cue, the subjects were asked to rate the wines with regards to experienced pleasantness. The authors showed that increasing the price of a wine did in fact increase subjects' experienced pleasantness hence they provide empirical evidence for marketing actions being an influencing factor in affecting neural mechanism response on e.g. experienced pleasantness.

Transferred to our experiment, we use WTP as a measure similar to Plassmann et al.'s experienced pleasantness, and an eye tracker for measuring any neural responses, similar though less complicated than Plassmann et al.'s use of fMRI scanner. We aim at measuring any response on WTP through marketing actions (price, COO) and individual factors (nationality) on three dimensions. First, we manipulate with the price cue indicating a high and

low price, where none of the information is true. Second, we manipulate with the wines' COO, which is actually Australia, stating instead that they originate from France, Italy and Mexico respectively. Third, we had three groups of subjects i.e. French, Italian and a control group, the latter with mixed nationalities, to see the differences in WTP for the wines across nationalities.

As our theoretical review is structured with regards to the three factors and their juxtaposition we will as well use this as our starting point and structure in our hypotheses; starting by tentatively hypothesizing that wines cued with a high price will increase consumers' WTP, as a high price is perceived positively due to the correlation with a higher perceived quality of the wine.

Hypothesis 1: *There is a positive correlation between perceived price and respondents' willingness to pay*

Next we propose the following hypothesis capturing subjects' WTP when exposed to the wines' COO. Hence from our theoretical review on COO, we tentatively hypothesize that subjects will have a higher WTP for wines cued with France and Italy, as there are consumer tendencies showing that the product category wine is positively associated with France and Italy. This will furthermore tentatively cause a lower WTP for Mexican cued wines because no empirical findings show any positive relation between wine production and Mexico as COO, and hence Mexico acts as a 'non-branded' wine country in our study.

Hypothesis 2: *Respondents will have higher willingness to pay for wines originating from France and Italy relative to wines originating from Mexico*

This leads to the next hypotheses where we want to juxtapose price and COO. The aim is to tentatively investigate the relative relationship between the two factors and respondents' WTP. We propose based on the theoretical review that there may be differences in respondents' WTP depending on e.g. high priced wine from France compared to low priced wine from France. This leads to our tentatively proposed hypotheses suggesting that the effect of

perceived price is more significant for wines originating from France and Italy respectively, than for Mexican wines.

Hypothesis 3a: *Based on H1-H2 perceived high price and French wine will have positive correlation with respondents' willingness to pay*

Hypothesis 3b: *Based on H1-H2 perceived high price and Italian wine will have positive correlation with respondents' willingness to pay*

This juxtaposition of price and COO leads to the next three proposed hypotheses where our aim is to capture how subjects' nationality in combination with the other factors can affect their WTP. We build on the theoretical review regarding nationality, and tentatively hypothesize that consumers have a tendency to have higher WTP for wines originating from their home country relative to wines from foreign countries due to consumers' ethnocentric characteristics. Consumers support their national identity by choosing OCPs and further the assumption that wines from one's own country are of better quality than foreign wines. Based on this line of thinking we tentatively hypothesize that perceived price, COO i.e. more specific referring to OCPs, and French and Italian nationality will have a correlation with respondents' WTP.

Hypothesis 4a: *Based on H1-H3 perceived high price, French nationality and French wine (OCP) do have a positive correlation with French respondents' willingness to pay*

Hypothesis 4b: *Based on H1-H3 perceived high price, Italian wine and Italian nationality (OCP) do have a positive correlation with Italian respondents' willingness to pay*

Hypothesis 4c: *Based on H1-H3 perceived high price and French or Italian wine will have a positive correlation with the control groups' willingness to pay*

These hypotheses specify the relationship between the independent and dependent variables that we will test and measure (Patzer, 1996). Figure 6 below, illustrates the causal relationship between the factors:

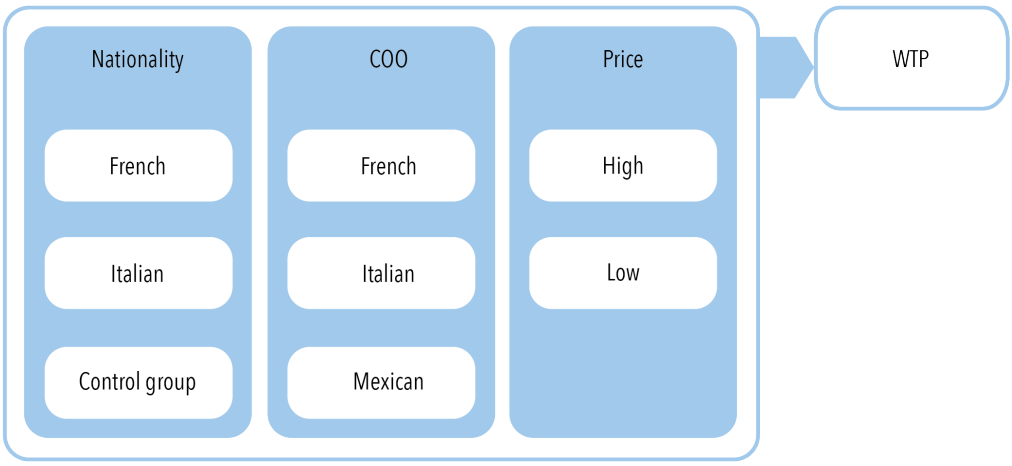

Figure 6: Causal relationship of factors

We are investigating the three independent variables, and by having multiple independent variables we are able to test the effect caused by them, both individually and collectively. The independent variables all have multiple values (Nationality: French, Italian, C.G; COO: French, Italian, Mexican, Price: High, Low). This demonstrates the specific values we will manipulate and control during the experiment. In other words the independent variables determine the results, which support a cause-and-effect relationship between the former and the dependent variable, which in our case is WTP. Below is a prototype table (Table 2) constructed in order to illustrate the causal relationship between the independent and dependent variables and their relative strengths:

	COO					
	French		Italian		Mexican	
	Price		Price		Price	
Nationality	High	Low	High	Low	High	Low
French	+ + +	+ +	+	÷	÷ ÷	÷ ÷ ÷
Italian	+	÷	+ + +	+ +	÷ ÷	÷ ÷ ÷
Control Group	+ +	+	+ +	+	÷ ÷	÷ ÷ ÷

Note: Range +, ÷

Table 2: Prototype table of the independent and dependent factors

The '+' and '÷' cells indicate the effect on the dependent variable, i.e. the outcome of WTP. Building on our hypotheses, this table is a means to illustrate how we *expect* the outcome will be of our experiment based on the theoretical findings. The '+''s '÷''s are a symbol for how significant results of the variables are assumed to be, based on the knowledge gained. We underline that we at this point merely have the theoretical review as foundation for the outcome of the variables' strengths, and thus the table is meant as a support to our hypotheses for the reader to get the full picture of our investigation.

In the next section, methodology, we will review our method to test these hypotheses, and we will also explain the whole methodological concept of this project, so it is clear on which grounds we build it upon.

7. Methodology

The paper rests upon two pillars: one pillar consisting of a literature review of the factors price, COO, and nationality and their influence on WTP, the other pillar consisting of an experiment aiming at measuring the influence of these variables on consumers' WTP. We want to combine existing literature on the mentioned factors with neuromarketing literature, and further uncover the level of conscious and unconscious effects these measures have on consumers'

WTP. However a lot is still to be explored with regards to the variables in combination with each other and their effect on WTP, hence an investigation cannot rest upon a literature review alone. Thus making the second pillar important for our research where we will conduct an experiment to study the effects of manipulation with the variables, where we will make use of neuromarketing methods (unconscious; emotional arousal) and conscious measures (liking and WTP). From this we aim at getting a more holistic understanding of the effects that these three variables have on WTP both consciously and unconsciously. Overall the aim of this project is therefore not to investigate a specific situation, or in relation to a specific client's product, hence we classify our paper as basic research (Blumberg, Cooper, & Schindler, 2008).

7.1. The philosophy

Before we are able to develop the methodological framework it is necessary to consider and choose what primary research approach we will undertake. It is difficult to remain within only one paradigm, as human beings use many paradigms in guiding their actions (Guba, 1990). Thus our research philosophy cannot be characterized as only one single approach. Instead we find ourselves using different approaches within our research field.

To some extend we understand ourselves as constructivists when we are building the theoretical review. One of the basic beliefs of constructivism is that '…*facts are facts only within some theoretical framework*' (Guba, 1990;25), thus this supports our choice in making a review of various theories. We need to understand the project in a window of theory, even though we do acknowledge that we cannot ever truly test whether a theory stands or not (Guba, 1990). But if we do not use theory to understand the rest of our project, we cannot give meaning to our data.

This is followed by our foundation of basic research when we investigate the causal relationship between the particular marketing effects price, COO, nationality and the effect when manipulating with these. When undergoing the experiment the aim is to get the most realistic and objective results possible without too may disturbances and errors. Hence this means that we will try to perform the experiment as post-positivists (Guba, 1990). Hereby we acknowledge the fact that the reality we want to portrait does exists, but as subjective human beings we are not able to fully apprehend it. This means that the results will only be

approximated, as reality can never truly be understood. We try to overcome the obstacles by minimizing our own subjectivity in both the experiment and in the following analysis. Finally there will be some elements of positivism as the experiment is conducted within controlled and manipulated settings, which is the base for a positivistic approach (Guba, 1990).

7.2. Research approach: Combining induction and deduction

Building on our multiple philosophical approaches we are constructing our research in both an inductive and deductive manner. The induction occurs as we observe different findings in our theoretical review, and ask ourselves why this is a fact. This question is followed by our own tentative explanations (hypotheses) for these facts. We are hence deductive in our data collection process by which we test whether or not these tentative explanations can support the findings from the theoretical review (Blumberg, Cooper, & Schindler, 2008). Furthermore our project is as mentioned based on basic research, and this rests upon a '…*systematic, controlled, empirical, and critical investigation of natural phenomena guided by theory and hypotheses about the presumed relations among such phenomena'* (Kerlinger & Lee, 2008 in Blumberg, Cooper, & Schindler, 2008;14). In alignment with these arguments we have adopted the inductive and deductive methodology. The aim is to investigate how marketers can affect consumers' WTP if we can provide them with knowledge on the influence of specific marketing effects.

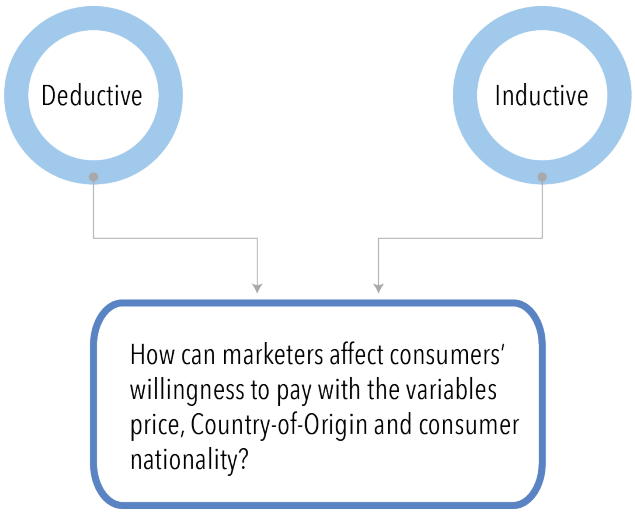

Figure 7: Methodological approach

As mentioned we are aware of the limitations in our own subjectivity, and how you cannot ever truly apprehend the world. This being said however we will strive to be as objective as possible. Thus we will combine different research methods when we are studying the same phenomenon. This will not only support stronger validity of the data, but will also give a deepening and widening of our understanding when analyzing the data (Olsen, 2004).

7.2.1. Induction

First of all an inductive review of the theoretical insights into the different marketing factors price, COO and nationality has been conducted. This review will be substantiated by neuromarketing insights and the unconscious effect on consumer behavior. The review is made in order to establish a knowledgebase for these elements, which the data collection investigates and builds upon.

7.2.2. Deduction

The next part of the research design is the data collection, where we have subjects in a controlled environment and expose them to the different marketing effects while tracking their pupil dilation (unconscious reaction). During the experiment unconscious (arousal) and conscious (liking) preferences for the wines will be measured. This is in line with the experiment conducted by Kringelbach et al. (2003) which is said to be one of the first studies trying to make a direct correlation between a subjective pleasureable taste combined with unconscious neural respones. Subsequent to the experiment the subjects answered three questionnaires about their recognition, associations and WTP regarding the wines. Some of the questions were formulated so that the subjects could answer freely what they thought and what came to mind (qualitatively and quantitatively). The whole session was completed with an oral debriefing of the subjects.

7.3. Data collection: Experimental approach

From the previous sections we have introduced the overall approach to our research. Over the next sections of the methodology, the aim is to establish an understanding of how we more precisely performed the data collection. This is important for the later validation of the data.

Before we go into further detail, Figure 8 below shows the major steps we went through in the process of collection the data. The purpose of the illustration is for the reader to understand the scope of the collection, as some obstacles occurred during the process.

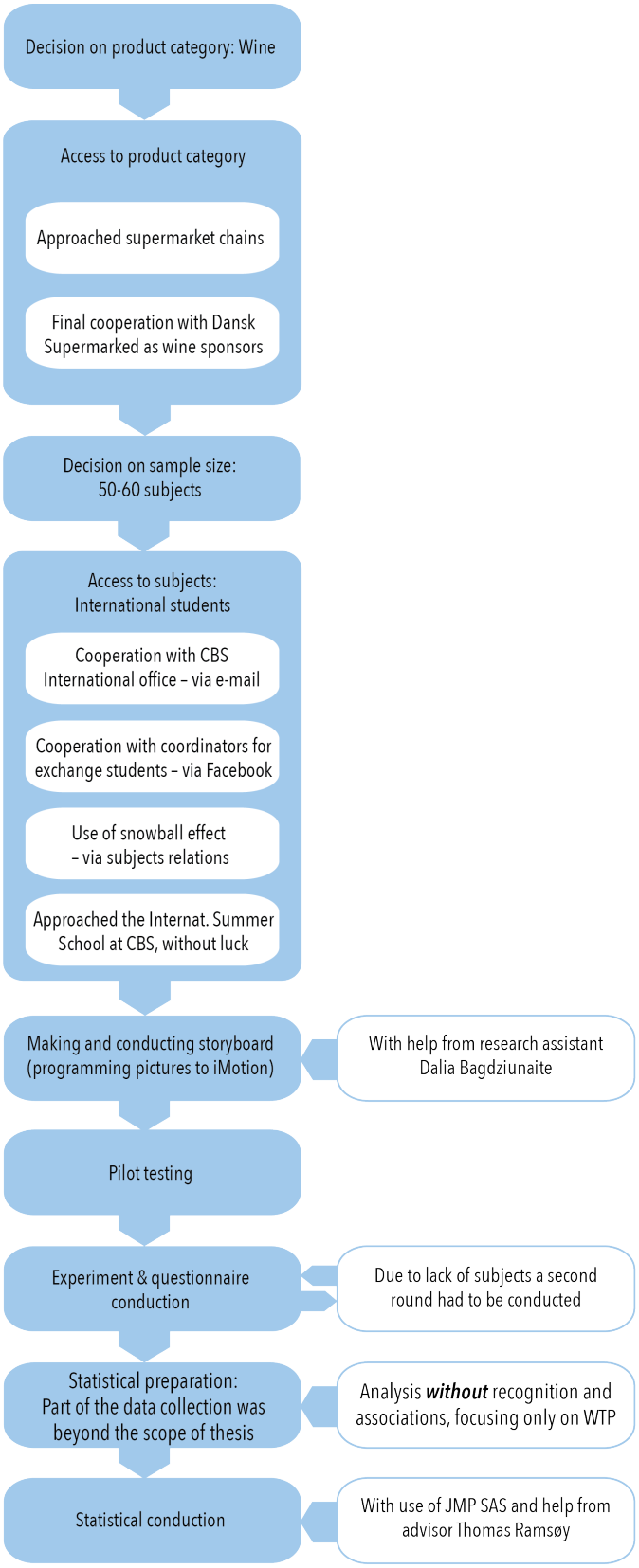

Figure 8: Process of data collection

Based on our research philosophy we had to consider the most suitable data collection method. Trailing this, experiments are a natural part of neuroscientific research, and hence we also chose to make use of this approach in our collection of data. Further as Aqueveque (2008) argues, experimental approaches are the most commonly used when investigating product preferences, as we are in this project. The objective of this project is to understand how marketing effects can influence consumers' product preferences.

As we found ourselves inspired by Plassmann et al.s (2008) neuroscientific experiment with wine tasting and price manipulations, we wanted to build our research based upon this. We assume that the variables we sought to measure have an unconscious effect on people's perceived value (Plassmann, Ramsøy, & Milosavljevic, 2012), and hence the use of tools to 'directly' measure the unconscious placebo-marketing effects are presumable superior to self-administered questionnaires or interviews (Ariely & Berns, 2010). However we also made use of conscious measures (liking and WTP) as a supplement to the unconscious neuroscientific measures (arousal). As the latter is not an exact science yet, conclusions made by such measures are not definite at this point (Ariely & Berns, 2010). This is furthermore in line with our attempt to get a more holistic understanding of consumers' reactions to different stimuli.

To sum up, the basic idea of the experiment was to manipulate the subjects into thinking they were tasting 6 different wines twice (two from France, Italy and Mexico respectively), with one from each country being high priced and one low priced. Whereas in reality we only had one specific wine, we served them. The wine was 'plain' in its taste, thus we decided to use a low priced Cabernet Sauvignon from Australia to test on our subjects.

7.3.1. Sample size

The amount of subjects needed to get significant results differs from experiment to experiment. Most often it is a compromise between time and resources available to the researcher (Bryman & Bell, 2003). This was also the case with our research. With larger sample sizes the natural sampling error decreases, however this further depends on the heterogeneity of the sample and the representativeness of the subjects. As said by Blumberg, Cooper & Schindler *'…In reality, how large a sample should be is a function of the variation in the population parameters under study and the estimating precision needed by the researcher'* (2003;241). Based on this and in dialog with our advisor Thomas Ramsøy, Head of Research, Decision Neuroscience Research Group, we decided that between 50-60 respondents would be

representative to give an indication of the relationship between the different factors and their effect on WTP consciously and unconsciously. However this study cannot be said to be an entirely adequate study and hence further research will be needed, as will be touched upon later (11. Limitations and Future research).

7.3.2. Research subjects

When conducting our experiment we had to consider that the subjects had to be representative of the population (Blumberg, Cooper & Schindler, 2005). As we wanted to investigate the effect of nationality on WTP as well as the OCP effect, we had to attract subjects from France, Italy and a control group. We had a control group consisting of a mixture of nationalities so that they would be as bias-free and non-culturally affected compared to the experimental groups as possible. A control group helps the research gain internal validity (Bryman & Bell, 2003).

7.3.3. Access to subjects

We instantly thought about recruiting subjects from CBS, since we knew that every semester there is a large amount of international students attending courses here. We did not have any personal contacts and did not find it optimal to ask people in the halls of CBS their nationality and whether they were interested in participating in our research. However we found it relevant to contact the International Office at CBS, which has contact with all incoming exchange students. We emailed the International Office and then got in touch with Anette Hove Cox who from then on acted as the *gatekeeper* to the international students (Kristiansen & Krogstrup, 1999), as we could not get permission to contact the students on our own. (13. Appendix, A4)

We further also contacted the coordinators of the introduction for the international exchange students to get them to post our research announcement on Facebook for the students to see it. We did this to expand the ways in which the exchange students were made aware of our research. Again the coordinators acted as the gatekeepers, because we could not contact the students on our own.

In our case the gatekeepers (e.g. Anette Hove Cox and the coordinators) merely acted as middlemen for us as researchers to get in touch with the exchange students. Some information may however have been distorted in the process intentionally or not, and it is a consideration to take into account.

When attracting the subjects we encountered some difficulties. These included finding enough international students of French and Italian origin to participate and also getting the subjects to come to the lab at the time they were assigned. This could likely be due to the fact that we started our research and experiment in May 2012 when most students had their exams and also because they were international students they most likely left Copenhagen after their exams were over

We contacted the International Summer School at CBS (ISUP) when we had gone through the first round of research, because the semester had ended and the exchange students had most likely gone home. An ISUP coordinator agreed to help us attract students from ISUP, who would be within the same group of international students as the exchange students we used previously. After contacting ISUP several times without any luck we were able to gather a small group of respondents on our own who participated in the experiment. However these extra subjects were not nearly enough, hence we decided to wait for the beginning of the fall semester to attract the remaining subjects. We then again contacted the international office and introduction coordinators and got them to send out information to the newly arrived exchange students, and we successfully held the second and last round of experiments in the beginning of September 2012. In total we ended up with 54 subjects, which is in line with our estimated number of subjects needed (50-60 subjects).

7.3.4. Sampling method

The way we attracted the subjects was through the use of different methods such as convenience sampling and snowball sampling (Bryman & Bell, 2003). Convenience sampling was in use because we contacted the International Office at CBS as well as the coordinators of the introduction for the exchange students to get them to send out information from us to the international exchange students who might be interested in participating in our experiment. By using convenience sampling as a way to attract subjects it makes it relatively easier to find suited subjects and get in touch with these. However this sampling method can make it hard to

generalize the results gained, because the subjects attracted do not necessarily represent the population under investigation (Bryman & Bell, 2003).

Further we also made use of snowball sampling because we had some of the subjects' friends of same or different nationality come in and participate. The snowball sampling method is a form of convenience sample because the researcher does not screen the subjects before taking them in, but however make use of the subjects available to them. This sampling method therefore has the same drawbacks as the convenience sampling when it comes to generalization.

In this way the subjects were a self-selecting sample (Blumberg, Cooper & Schindler, 2005) since the students interested in the study signed up and we then assigned them to the groups 'Italian', 'French' or 'Control' based on their nationality. We saw these sampling methods as the most appropriate considering the scope of the investigation as well as our means as researchers.

Based on the sampling methods the respondents were all, except for one, international exchange or full time international students at CBS or other Danish universities. The respondents were all between the ages 20-27 (mean age 22) and were university students, as mentioned. These facts will naturally affect the reliability of the research because of the demographics of our subjects, however this will be discussed later in the paper (7.6.2. Reliability).

Although by using exchange students from CBS and other Danish universities we held some of the demographic factors constant between the different groups which might otherwise distort the outcome (Blumberg, Cooper & Schindler, 2005). These demographic factors included the same level of age, education, linguistic abilities, monetary disposition, travel experiences and so forth. By holding these factors at a certain level across the groups they do not affect the intra-group differences and final outcome of the research in the same way they could have if the groups were at different levels. However this being said, the use of university students as subjects can make the results difficult to generalize to the entire population.

7.3.5. Access to wine

To gain access to the product under investigation, we needed to consider who to contact and how to make the initial contact (Kristiansen & Krogstrup, 1999). We firstly needed to consider

how to get the amount of wine needed to test 50-60 subjects each having 12 tastings. As suggested from Thomas Ramsøy, we thought some Danish grocery or winery chains might be interested in our results and would have the sufficient size to support us. We did some research and we then first contacted COOP Danmark, however with no luck, since they were not interested in our research. We then contacted Dansk Supermarked and got in touch with the product manager who saw potential in our research and would like to support us with the wine needed, if we would present our results when the project was finished.

7.3.6. Data collection procedure

7.3.6.1. The experiment

We chose the use of a quasi laboratory experiment. This means that the experiment took place in a laboratory at CBS called Senselab, where we could measure the respondents' unconscious reactions using an eye tracker (Attention Tool 4). This type of laboratory experiment yield better control and is easier to replicate than e.g. a field experiment. However the external validity is lowered by using such an artificial setting instead of a natural one (Bryman & Bell, 2003)(see 7.6.1. Validity). Further a quasi experiment is one where the groups are not randomly assigned but rather subjects are assigned based on a specific variable, in this case their nationality. The control group worked as a 'control group' due to the fact that it did not hold the same characteristics as the experimental groups, again nationality.

7.3.6.2. Developing the experiment software

To assist us in our experiment we had a research assistant Dalia Bagdziunaite (here in after referred to as D.B.) who helped us with the technical set up of the experiment using the software program - Attention Tool 4. In order for her to develop the right set-up of the software program we needed to prepare all wine labels and flags that should be the representation of the wines' COO. As mentioned the aim of the thesis is to investigate how certain 'placebo-marketing' effects can alter subjects' experience of a product. Thus we simply searched the web for wine labels that clearly displayed to be French, Italian or Mexican, and randomly assigned the wine labels alternately high priced or low priced as the point of the experiment was to manipulate the subjects to believe in something that in fact was not reality. All of these labels, flags and information was gathered and was handed to D.B., enabling her to program the Attention tool correctly (see example 13. Appendix, A3) The software was programmed so

that the wines were showed in random order, which was in line with Plassmann et al.'s (2008) study of the effect of pricing on the experienced pleasantness of different wines, as touched upon earlier.

7.3.6.3. Pilot testing

In accordance with Bryman & Bell (2003) & Blumberg, Cooper & Schindler (2005) we had a pilot testing of the experiment before starting the actual data collection. This was done to make sure that the set-up worked as intended as well as making sure to minimize possible errors and misunderstandings during testing. Further when using technical instruments, which in this case was an eye tracker and a computer, a pilot testing of these as a precautionary measure is recommended by Blumberg, Cooper & Schindler (2005). This is to make sure they work properly, for refinement of them and any improper conditions.

The subjects used in the pilot testing should be similar to the subjects intended to undergo the experiment. We decided that a pilot testing using ourselves as test subjects would be feasible and more convenient than attracting third party subjects. We as researchers are within the target group of our research, however we were fully aware of the purpose of the research, which means we appear to be like the respondents however more knowledgeable regarding the true purpose of the testing. We chose this method because we mainly wanted to test whether the computer software and technical set-up was working as intended and the amount of time each subject would approximately use to undergo the experiment. This is in line with Blumberg, Cooper & Schindler (2005) and their recommendation for pilot testing of experiments.

We also had research assistant D.B. as an observant during the pilot testing to see from a meta-perspective whether the testing went according to plan and also to consider the understanding of the questions from an 'outsiders' perspective. This 'trial run' showed no need for improvements to the design of the experiment or technical errors with the computer software or hardware. Based on this we proceeded with the same set up as before the pilot testing

7.3.6.4. Controlling the settings

The actual collection of the data took place in several phases as mentioned. However being aware that extraneous variables and the physical environment amongst other things may

distort the results gained from phase to phase (Blumberg, Cooper & Schindler, 2005), we took precautionary measures to minimize any distortion of the results.

To keep the set up as controlled and constant as possible we kept all the information on the same level and had written instructions and a semi-structured 'manuscript' for the oral instructions that the subjects would need. Further we kept the same set up and product (wine) throughout the data collection phase. In general we naturally kept the quantitative aspect (the experiment and questionnaires) of our data collection constant throughout the collection period due to the coherent nature of the aspect of these factors. The qualitative aspects (the debriefing, unplanned questions and the like) were as much as possible kept within the area of interest, however were not intended to be fully controlled. Further these aspects are more easily distorted during an experiment, which we will consider in our further analysis of the data.

7.3.6.5. Briefing and instructions

As a consequence of having an experiment as a part of the data collection method, some obstacles may occur. This was the case for our experiment in that we used a lab called Senselab at CBS, which can seem alien to the subjects at first. There is a lot of equipment in the lab and it does not yield a very cozy vibe but more of a typical 'lab vibe'. This made some subjects quite nervous because they merely thought they would be testing different types of wine. In order to make them more relaxed we had, before the testing of the subjects, a briefing about the lab, the eye tracker, what was about to happen and so on, so the subjects felt more at ease and less nervous in the alien environment. The briefing was in line with thoughts by Blumberg, Cooper & Schindler (2005), to introduce the subjects to the situation however without revealing the real/full scope of the experiment. The briefing works as an introduction and presents simple questions and provides explanations to any concerns subjects might have. Through the briefing we determined each subjects' name, age, nationality, gender and relation towards wine (13. Appendix, A2). Further before testing the subjects they were screened for liking and as a minimum occasionally drinking wine. These are all important considerations to help solve our research question in collaboration with the other factors. The briefing was also an opportunity to create an environment where the subjects felt comfortable as well a way to stick out some guidelines for the experiment (Blumberg, Cooper & Schindler, 2005).

7.3.6.6. During the experiment

We placed the subjects in the lab in front of the eye tracking screen and explained the purpose as mentioned above as well as how the subjects should behave in front of the screen. The eye tracker was used to track the subjects' pupil dilation. We then provided the subjects with what they were told were 6 different types of wine over two rounds which meant that the subjects had 12 tastings in total. Before each tasting the subjects were exposed to a picture of a wine label, a price and a flag representing the COO of the wine on the eye tracking screen. This picture was only shown for six seconds so that the subjects would have to focus on some main points but might not be able to read all of the information on the label. After each tasting the subjects had to rate how well they liked the wine on a scale of 0-100. These other 'slides' were controlled by the subjects, and hence they were in control of how long it would take them to rate the wines and how much time they needed in between each tasting (see overview Figure 5).

There was a period in between each tasting for subjects to rinse their mouth, to avoid too much taste spillover from one wine to the next. This set up was made according to a 'real' wine tasting, so that the subjects felt that they were actually being exposed to different wines and not the same wine six times in a row, which they actually were.

During the actual testing, we as researchers observed the subjects' reactions to the wine and whether they seemed to be aware of the manipulation at any point in time in line with the thoughts of Kristiansen & Krogstrup (1999). This is due to the fact that a lot of what is important to observe is not produced verbally (Kristiansen & Krogstrup, 1999).

The subjects were all highly motivated to participate in the experiment and to taste what they expected to be six different wines. Many subjects even felt a national pride in tasting and rating wine from their home country as well as wine from other countries. Some of the subjects however had difficulties taking and following instructions, which affected their results with the eye tracker. However most subjects were focused and interested in the experiment.

7.3.6.7. The questionnaires

After the two rounds of tasting we provided the subjects with self-administered questionnaires regarding their memory of the wines, how much they would be willing to pay for each wine and their associations regarding the wines. These questionnaires along with the data from the eye tracking program should provide us with enough information to analyze the effect of each of the variables to solve the research question.

The self-administered questionnaires made use of both open ended and closed ended questions to narrow down e.g. the subjects' recognition of the wines. We had first top of mind recall, then category cue recall and lastly we showed a picture of the wine and asked if they remembered having seen it on the eye tracking screen (13. Appendix, A5). We also added some extra pictures in the last part to test if the subjects were aware of which wines they actually had been exposed to and which they hadn't (i.e. their overall recognition of the wines). Further we asked them about their associations when presented with a picture of each wine label this was to measure the effect of associations in line with Plassmann, Ramsøy & Milosavljevic's (2012) article. Lastly we asked how much they liked each wine using a Likert scale from 1 to 5, with 5 being the maximum. In connection with their liking they were also asked how much they were willing to pay for each wine. Here the subjects were given an imaginary amount within the limit of 300 DKK to spend on each wine. This should be used as the final parameter to measure subjects' WTP. We do acknowledge that some distortion might appear as the study did not have an actual physical amount of money for the subjects to spend.

An indicator for the success of our cover story would be that the respondents reported being able to taste six different wines at the end of the experiment. This was the case with most subjects and this hence further show that most subjects did not suspect the manipulation at any time during the testing which further supports the success of our experiment. The 'placebo-marketing' effect of the independent variables (price, COO, nationality) to determine the effect on the dependent variable (WTP) meant that we had to 'deceive' the subjects to believe that the purpose of the experiment was something else than it actually was. This is also a corner stone when using laboratory experiments as mentioned by Bryman & Bell (2003). The reactions to the manipulation from the subjects will be described in the following.

As recalled from 5.2.1. Process of experiment we found that the use of the questionnaires 'recognition' and 'associations' was outside the scope of this project and hence were not used in the further investigation.

7.3.6.8. Debriefing

After the testing had run through twice and all questionnaires had been filled out, we had a debriefing with the subjects. A *'…debriefing is a process in which people who have had an experience are led through a purposive discussion of that experience'* (Lederman, 1992;146). The purpose of debriefing in our experimental context was to 'disinform' the participants and

inform them of what the experiment was really about (Lederman, 1992). This last part of the experiment was used to inform the subjects and to check that the experiment was valid. If one or more of the subjects' suspected the manipulation of the parameters, we needed to know this as the subjects answers could then be biased.

There are three phases in a debriefing session (Lederman, 1992) – the first phase is a *systematic self-reflection*, where we wanted to get the participant to start talking about the event and describe it. The next phase was an *intensification and personalization* of the experiment where the conversation tuned in on the participant's feelings about the experiment and made them ponder about the experiment's trueness and whether or not they in any way felt deceived. The third and closing phase was a *generalization and application* of the experiment, where the primary goal was to clarify the actual purpose of the experiment and inform the participant of what the purpose truly was. We also answered any further questions the subjects might have had regarding the experiment and the wine.

The debriefing was made orally to make it more comfortable for the subjects. Therefore the questionnaire was made semi-structured and the debriefing sessions could vary from one subject to the next. Only two of the subjects had figured out what the actual purpose of the experiment was and the rest were very surprised when we told them about the purpose and the fact that the wine they had just tasted was all from the same bottle throughout the entire experiment.

Even though most of the subjects were very surprised when we revealed the manipulation, they all took it very lightly and no one felt betrayed or in any way misled during the testing. The debriefing was also used to relieve some of the subjects' concerns on their performance and for some a slight embarrassment about their role in the experiment as well as reminding them why it was highly important not to let any of the other subjects in on the real purpose and why we needed to use deception in order to get more accurate results (Lederman, 1992).

7.4. Data analysis: Statistical measures

The purpose of this section is to explain the method used to empirically investigate our hypotheses. We thereby analyze the results from the data collection, i.e. the eye tracker and the questionnaires to investigate WTP, using SAS JMP for the data mining.

As previously described, we have worked with four hypotheses to investigate our research question. In order to test all four we conducted a set of analyses of variance (ANOVA) as we wanted to measure the continuous outcome factors: 1) emotional arousal via pupil dilation, 2) liking and 3) subjects' WTP, and further the ANOVA tests are based on one or more categorical independent variables. Here we refer to our overview of the independent and dependent variables, Figure 6. Further the ANOVA tests are made in order to investigate the relative relationship between the factors by using an F-test. Our area of interest was to identify how the three factors price, COO and nationality influenced subjects' arousal, liking and subsequent WTP. Further in order to support a visual sensation of the significance of our results we conducted bar charts for all four hypotheses, with subsequent bar charts of all three measures (arousal, liking and WTP).

We chose the significance level for our hypotheses to be less than or equal to a p-value of 0.05 which in practice is the most commonly accepted p-value (Agresti & Franklin, 2007). Thus we argue as long as the p-value does not exceed 0.05 we will accept the hypotheses as the hypotheses are then supported with 95 % probability (or more).

7.4.1. Analysis of variance (ANOVA)

As mentioned we conducted ANOVA tests for each hypothesis along with subsequent tests for the three measures arousal, liking and WTP. The ANOVA tests for the emotional arousal were measured both at the point of framing (i.e. subjects were exposed to the wine label, price and COO) and at the point of rating. We argue that the point of framing contains the most interesting data for our study, as we in that measure were able to see if the subjects were affected by the 'placebo-marketing' effects we exposed them to. Hence we only analyzed the emotional framing results, but for reference the emotional rating results are to be found in 13. Appendix, A9. Further for testing WTP we used logWTP as it gave a better normal distribution, but to make sure the right visual image was portrayed in the bar charts, we used WTP in DKK as the dependent variable.

Furthermore for all tests we used subject (lognumber) as random factor to make sure we took into account that there could be individual differences in the overall rating scheme, thus meaning that we acknowledge the concept of sample accuracy, which is based on the belief that some people will overestimate, while others will underestimate the variables being studied.

For hypothesis 1 we used price as independent variable, and arousal, liking and WTP respectively as dependent variables. We undertook a one-way ANOVA as we only had a single variable (price) to test. Further for this hypothesis we conducted a T-test as we 'only' had two states (high, low) for this factor. For hypothesis 2 we conducted a one-way ANOVA with COO as the independent variable and arousal, liking and WTP respectively as the dependent.

For hypothesis 3 we conducted a two-way ANOVA as we at this point wanted to investigate the two categorical variables price (high, low) and COO (French, Italian, Mexican) and their relative relationship (i.e. via F-test). Hence price and COO were investigated as the independent variables affecting the dependent variables arousal, liking and WTP respectively. Building upon this we also conducted a two-way ANOVA for hypothesis 4, as we wanted to investigate the three categorical variables price, COO and nationality (French, Italian, Control Group) and their relative relationship. Thus price, COO and nationality functioned as independent variables and WTP as dependent variable. The reader ought to notice that we only conducted analysis upon WTP and not arousal and liking for the last hypothesis. This was due to some technical difficulties with the software program and opposing effects when testing all three variables at the same time.

The next section will outline the technical limitations we encountered during our data collection. In the later section 11. Limitations and Future research we will draw on the bigger picture relating to limitations, which we would like to eliminate in future research.

7.5. Limitations

There are certain technical limitations to our research as will be discussed in the sections.

7.5.1. The environment

One such limitation is the lack of natural environment surrounding the subjects, as they tasted the wines. This may affect subjects' reactions to the wines because of the somewhat alien laboratory setting, and the fact that the subjects were being monitored while tasting the wines (Hawthorne effect). Further there was a technical limitation by the fact that the eye tracking screen seemed highly alien to the subjects and hence their behavior and reactions might have

been affected due to this unfamiliar technical equipment. To get a more natural environment for the subjects to rate and taste the wines in, investigations could take place in a store, however then the manipulation of price, COO etc. would be highly difficult to carry out.

7.5.2. Product category

Besides the limitations of the clinical environment we also need to recognize the limitation of satiety. Shown from other studies (Kringelbach, Doherty, Rolls, & Andrews, 2003), it is known that when the same food is fed to the subjects to saturation there is a gradual decrease in the orbitofrontal cortex neurons' response to taste, smell and sight. In our experiment some of the subjects mentioned in the debriefing that they thought that there were too many wines to taste, and that the wines eventually seemed to taste similarly. Hence the results are probably somewhat biased by this 'satiety effect'. To avoid this effect to a certain degree however the wines were randomly assigned to the subjects by the software program and hence the effect of satiety should statistically have affected all wines equally. We will go further into the choice of product category in the section 11. Limitations and Future research

7.5.3. Subjects

Another limitation to the study is the similarities in subjects' demographics. These were all exchange or international students at CBS (except for one) and hence for a more accurate result on general consumer preferences it would be more reliable with different demographics such as age, income level, educational background etc.

Adding to the limitations regarding the research subjects, they were all enrolled to the experiment on a volunteer basis and this could have led to some distortion of the data results. This is due to the fact that volunteer subjects differ from non-volunteer subjects in that they are more prone to behave in a certain manner and are possibly more aware of the fact that their behavior is being judged and reported (Hawthorne effect) (Bryman & Bell, 2003). Further the Rosenthal effect might also have an effect on the outcome (Bryman & Bell, 2003), however we as researchers were aware of this bias and tried to remain bias-free throughout the experiment and not to give any indication of our preferred outcome.

Another limitation is the amount of subjects used in this project, however the time needed to have one subject go through the experiment made it necessary for us to limit the amount to 50-60 respondents. This is however still a vast amount and can be statistically significant although more respondents naturally would validate the results further.

7.5.4. Choice of measurement

A further limitation of our research was the fact that when measuring the subjects' WTP, they did not actually have to physically spend the amount of money they indicated in the category for WTP, but merely imagine how much they would be willing to pay. This hence may inflate their assumed WTP since there would be no direct monetary consequences by 'buying' the expensive wines. However even with an inflated WTP, this could be assumed to be applicable for all subjects and all wines and hence since we do not go into detail about how much each subject is willing to pay but rather track the overall tendencies, this can be said to be less significant in affecting the outcome.

Trailing the notion of subjects' inflated WTP we deem it relevant to mention that we cannot conclusively say that there is a direct link between WTP and buying behavior (Wheatley & Chiu, 1977). Just because a consumer links price with quality, does not mean that the consumers' preferences will be influenced to the same degree. Thus meaning that it can be difficult to give any absolute conclusions on our research with regards to actual preferences, though we will provide conclusions on tendencies pointing towards possible preferences, which can be a great insight for marketers.

The limitation of using pupil dilation as a measure for arousal, which in turns gives grounds for consumers' emotional liking of the product might be limited. This is due to *reverse inference* (Plassmann, Ramsøy & Milosavljevic, 2012), which implies that because we found emotional arousal we assume that the product appeals to the subject, thus meaning that we have made inferences about emotional arousal that cannot with absolute certainty state to be a driving force for decision-making. Why reverse inference is paramount to take into consideration is due to the fact that the brain areas can multitask, thus meaning that one brain area can be used for several encodings (Plassmann, Ramsøy & Milosavljevic, 2012). This captures the limitation of our research, as we have not been able to test for other possible reasons why subjects had emotional reactions. A way to avoid this problem is to use an experimental

design that is able to capture the neural signature of the mental process directly, and not indirectly as with the eye tracker.

7.6. Validity & reliability

The next two sections will discuss the validity and reliability of the method applied for our study. We will build upon the previous section on our limitations, as this section will firstly discuss four groups of validity: face, construct (Bryman & Bell, 2003), internal and external validity with regards to our data collection methods. Secondly we will discuss the reliability of our methods with reference to the encountered limitations.

7.6.1. Validity

The importance of validity is that it indicates the extent to which a measurement is free of error, thus meaning the best available approximation to the truth. If data were not valid any conclusions based on these would be inaccurate or false (Patzer, 1996).

7.6.1.1. Face validity

Face validity has to do with the surface measurement hence meaning e.g. do the questions yield any misunderstandings or might there be confusion as to how to answer the questions and so on (Bryman & Bell, 2003). To ensure the face validity of our measures we emailed the outline for the experiment set up, our questionnaires as well as our debriefing to our advisor Thomas Ramsøy and had our research assistant D.B go over them as well to check for any possible misunderstandings or confusions. There were some small misunderstandings that we corrected and after another review we continued with the questions and outline.

7.6.1.2. Construct validity

With construct validity we deduce hypotheses from relevant theory (Bryman & Bell, 2003). The above hypotheses are deduced from a thorough theoretical examination of academic articles regarding the factors we sought to measure both from a neuroscientific point of view as well as a ‘traditional’ marketing perspective. This way we have validated our measures by building upon acknowledged existing theory and using existing definitions, discussions and thoughts and expanding these to cover our measures.

7.6.1.3. Internal validity

Internal validity has to do with the causal relationships and how certain it is that the manipulation of the independent variables caused an effect on the dependent variables, and that the effect was caused purely from the manipulation of the independent variables and not some other factors (Patzer, 1996). We did not incur significant history, maturation, mortality or statistical regression effects, all of which could have distorted the results. However we might have incurred the testing and instrumentation effects since we did test the subjects twice on the same measures to make sure we had enough data. The setup for the first and the second time of experimentation was the exact same, however as the testing effect implies the subjects might react differently the second time they are presented with e.g. a wine like in our study. It might also have been that we as researchers have interacted or used different wording with the different subjects, however this was tried to be kept at a minimum although it most likely cannot be eliminated fully. Further as mentioned in our limitations there might have been some distortion of the causal relationship due to reverse inference.

Further we might also have incurred the selection effect especially since we undertook a quasi experiment where the subjects were assigned to a specific group based on their nationality rather than by randomization (Patzer, 1996). The random assignment of subjects normally used in experiments to assign subjects to the control and experimental group does not exist in this case and it hence negatively affects the internal validity. As said by Bryman & Bell *'…True experiments tends to be very strong in terms of internal validity'* (2003;45). Hence subjects in either group might differ significantly, however since we had a control group consisting of a mix of nationalities this group can be said to have lowered bias and hence the selection effect is minimized.

Generally it can be said that the internal validity depicting the cause-and-effect relationship between the independent and dependent variables is relatively high due to the fact that we held the experiment in a lab, where there were practically no other stimuli to distort the results and further that we kept almost all the information the same over time from subject to subject. Lastly although each subject had two rounds of testing these took place in continuation of each other and hence the lowering of the internal validity was minimized.

7.6.1.4. External validity

External validity captures the generalization of the study and whether the results are dependent on the setting, time or subjects (Patzer, 1996). The variables in question are

always limited in number and hence can only approximate reality but not fully represent it, this is called dissimilar variables (Patzer, 1996). This was also the case in our research since we could not capture all the details of people's preferences and reasoning for any product choice regarding the wine, since the study we were undertaking was primarily quantitative and hence the statements and rankings had to be quantifiable. Further the factors under investigation do not represent the entire consideration set consumers go through when purchasing a product, but are merely a selection of influential variables.

Along the lines of the above the dissimilar environment affects the external validity negatively (Patzer, 1996). The subjects were not presented with the actual wine in a natural environment rather they were presented with a label, a price and a flag representing the country of origin on a screen in a lab. This setting does not represent the reality of how they normally would assess wines and further the artificial setting can affect the subjects' behavior in some sense and hence this yields a lowered external validity.

The last factor to affect external validity is 'dissimilar subjects', which means that the subjects used for the experiment are not representative of the population at large. There is a general critique of the use of college/university students as test subjects because they are often not representative. However as said by Patzer: *"When the research addresses fundamental marketing questions such as cognitive information processing related to marketing stimuli"* (1996;56) it is acceptable to use students as test subjects.

The subjects in the experiment were all international exchange students at CBS who had similar demographic and psychographic trademarks such as approximately same age, level of education, linguistic abilities, monetary situation etc., which might have affected the behavior and responses of the subjects. However arguing that the research in question is trying to answer fundamental marketing questions as mentioned above, it can be argued that the fact that the subjects are university students does in fact not play an important role, because of the basic human reactions to marketing efforts such as e.g. the COO effect. Hence we argue for the use of university students in our thesis in that we are performing basic research.

All in all it can be said that the internal validity is relatively high however the external validity is consequently lowered, as mentioned by Patzer (1996), as there usually is a trade-off between reasonable levels of internal versus external validity. This means that the generalization of this study is limited, however since it is an investigative study that is trying to explain the effects of

the different factors COO, price and nationality, further research into this area is in any way needed as will be touched upon later in the project (11. Limitations and Future research).

7.6.2. Reliability

Reliability is fundamentally concerned with the consistency of the measures and whether they can be repeated yielding the same results (Bryman & Bell, 2003). The stability of the test has been administered by having groups of subjects come in over three rounds – spring, summer, fall and so these students were not all familiar with each other or the study and were from different 'batches' of exchange students. Based on the results gained the variations between the different groups are not significant and hence the stability can be said to be significant.

A precaution in the study to insure a reasonable reliability was the fact that the variables presented to the subjects were randomized and that the high versus low priced wines were split so that approximately half the subjects tasted one half of the wines as high priced and the other half low priced whereas the other half of the subjects tasted it reversely. These precautions can be said to support the randomization in line with the thoughts of Bryman & Bell (2003).

The last part of factors that can affect the reliability is the inter-observer consistency, which relates to how data is analyzed based on subjective judgments (Bryman & Bell, 2003). As mentioned in the 7.4. Data analysis: Statistical measures, we were aware that some subjectivity might appear in the different ratings of the wines, as some people overestimate liking and others underestimate it. We diminished this noise by using subject (log number) as random factor in the statistical tests.

After having presented the methodological approach of this project, we will now continue with the data presentation and analysis.

7.7. Ethical considerations

The ethical concerns regarding this thesis relates mainly to the manipulation of the respondents during the experiment. The need for manipulation of the respondents sprung from the fact that if the respondents were in fact knowledgeable regarding the true purpose of our investigation they would consciously or unconsciously alter their behavior, which would

strongly affect the validity and outcome of our thesis. The manipulation of respondents is one of the premises of choosing an experiment as data collecting method (Blumberg, Cooper & Schindler, 2005), and hence we were fully aware of the ethical considerations. However we chose this method based on the fact that we wanted to investigate consumers' e.g. unconscious preferences and how to affect this by placebo-marketing effects, and hence other data collecting methods such as questionnaires or interviews would no yield the same insights into the unconscious mind as this neuroscientific experiment did.

The actual manipulation of respondents took place during the experiment in that we told them that they tasted six different wines from different countries and with different prices, when however in fact they tasted the same wines six times. During our debriefing however we let the respondents in on the real purpose and although some felt ashamed and embarrassed they all had the opportunity to refuse to be part of the later analysis of their reactions. We as researchers took the time at the end to listen and talk to the respondents about their concerns and tell them exactly how the data was intended to be analyzed and hence made them feel comfortable with the situation. Although all of the respondents had the opportunity to refuse to take further part in the thesis none chose to, and several respondents were in fact more interested in our final thesis and analysis instead of feeling deceived.

8. Data presentation and analysis

8.1. Presentation and analysis of data collection

In this section we present the data collected in the experiment followed by a subsequent analysis of the data, whereby we will be able to support or reject our proposed hypotheses.

We tested the subjects on three factors (price, COO and nationality) to determine the relative strengths, and whether the unconscious mind forms product preferences based on the mere exposure to the placebo-marketing effects. The measures were – 1) respondents' unconscious 'arousal', where we measured their emotional reactions via pupil dilation when exposed to wine label, price and a flag (extrinsic cues), 2) 'liking', where subjects rated the wines subsequent to tasting them (intrinsic cue), 3) 'WTP', where we asked the subjects at the end of the experiment what they would be willing to pay for each wine. As recalled, the subjects were in fact only exposed to one wine (Australian, low priced) hence the results gained are based

on subjects' perception of the wine due to the 'placebo-marketing' effects. In order to answer our research question and sub-questions we will analyze each hypothesis on the three tested measures (arousal, liking, WTP). Hence we attempt to uncover whether preferences are formed based on exposure to product cues, i.e. the results may explain and provide support for whether preferences form during the framing of the wine (measured by unconscious arousal), or after actually having tasted the wine (measured by conscious liking). Furthermore ANOVA (one-way and two-way) tests will be conducted for all three measures, and each subject's general rating pattern (subject as random factor) is taken into consideration. Hence we take into account that some subjects in general have a higher WTP, liking and arousal than other subjects due to individual reaction patterns.

As recalled we have collected data for subject arousal both at the point of framing (i.e. subjects were exposed to the label, price and COO) and at the point of rating. Following this we argue that the measure of arousal at the point of framing contains the most interesting data for our study, as we in that measure are able to see if the subjects were affected by the placebo-marketing effects we exposed them to. Hence we only analyze the emotional framing results, but for reference the emotional rating results are to be found in 13. Appendix, A9.

For the sake of reading comprehension we briefly summarize the chosen prices and wines (see also 13. Appendix, A1): High priced wines = 200–300 DKK and low priced wines = 30–40 DKK. Rating of WTP was based on a price range of 0–300 DKK. Furthermore we chose French and Italian wines as the means for investigating COO effect and a Mexican wine acted as a 'non-branded' wine, judged to have no significant COO effect in itself. The nationality groups were based on our aim to investigate the OCP effect, and hence included Italians, French and a control group with subjects of mixed nationalities.

8.1.1. Hypothesis 1

In H1 we tentatively state that *'There is a positive correlation between perceived price and respondents' willingness to pay',* meaning that subjects would have a higher WTP, if they perceived the price of the wine to be high.

Measure: WTP

WTP was analyzed using one-way ANOVA to show the subjects' WTP depending on whether the wines were cued with high or low price. Figure 9 below summarizes the mean result:

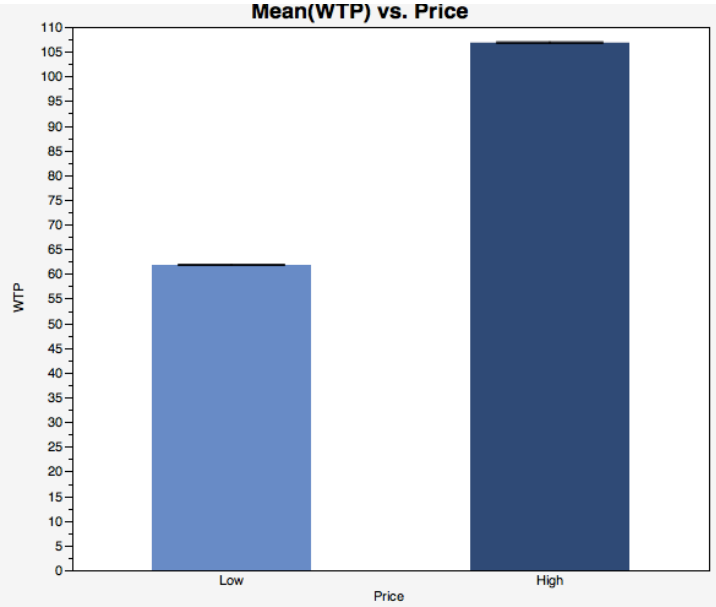

Figure 9: H1 - WTP

Note: WTP (in DKK) is used as unit in the bar chart, but all other values uses logWTP due to a better normal distribution. This is applied for all WTP charts and WTP results.

We get a significant result (R^2=0.42, p<0.0001); hence we can explain 42% of the variation in WTP from this data result. Further the variation = 95% confidence interval with T = -342.5, p<0.0001 meaning that subjects are consciously willing to pay a significantly larger amount for high priced wines compared to low priced wines. This is further supported by the meanWTP for low priced wine mean = 63.2 DKK and the meanWTP for high priced wine mean = 106.7 DKK, hence underlining the significant result of the effect of price on WTP.

The effect of perceived price on WTP is significant thus we find support for hypothesis 1 based on respondents' conscious WTP.

Hypothesis 1: *'There is a positive correlation between perceived price and respondents' willingness to pay'* - **Supported**

Measure: Arousal

The above results show that perceived price does affect WTP, which was also indicated in the theoretical review. We are further interested in knowing when this effect on WTP occurs. Thus we present results from a one-way ANOVA showing the framing of the wine, i.e. where subjects are exposed to the wine and the cues *before* having tasted the wine (unconscious effect). Hereby the data indicate whether subjects are aroused and affected by the extrinsic cue perceived price. The results show that there is a weaker though significant effect of perceived price at the time of framing (F=4.7, p=0.03), with the following bar chart to illustrate:

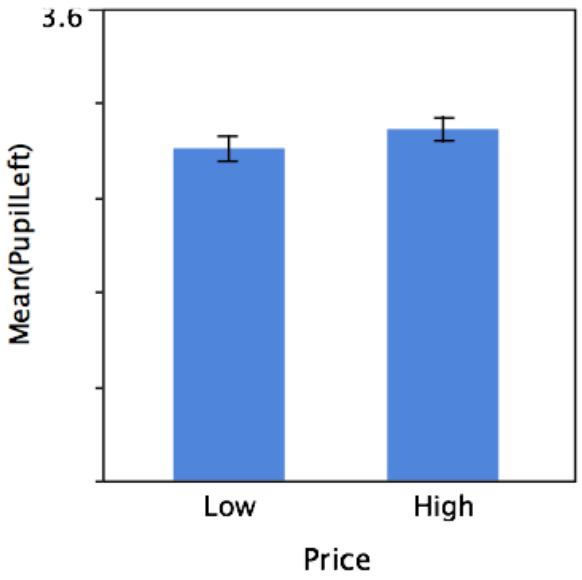

Figure 10: H1 - Emotional arousal

Note: The unit measure is a standardized measure for pupil dilation

Recalling from 7.4. Data analysis: Statistical measures we acknowledge results with a p-value up to 0.05, hence we do acknowledge this result, although there are statistical uncertainties as to whether subjects were mostly aroused by high versus low priced wines (due to overlapping confidence intervals). Though for further discussion of the result, we assume that high priced wines mainly aroused subjects, although further research into this is needed to substantiate our results. The figure illustrates the mean pupil dilation of low price = 3.57038 and high price = 3.57444 hence there is a difference of 0.00406 from high to low priced wines. The effect of unconscious emotional arousal on perceived price is minimized relative to the effect seen with

WTP but the effect is still present. Thus it seems that perceived price might influence consumers' unconscious perception of wine, and the use of neuroscientific measures have the potential to capture this unconscious reaction already at the point of the extrinsic cue-framing.

Measure: Liking

Now we know that perceived price has a significant effect on WTP (conscious) and that it is possible to capture an effect already at the point of framing (unconscious), but to comprehend more precisely whether subjects form preferences at the time of framing it is paramount also to know how strong the effect is at the point of rating (after subjects have tasted the wine and been exposed to the intrinsic cue). A one-way ANOVA test was made to present how the subjects consciously liked the high priced and low priced wines. The perceived price effect's influence on liking showed to be very significant ($F=5660.2$, $p<0.0001$). This is illustrated in the bar chart below:

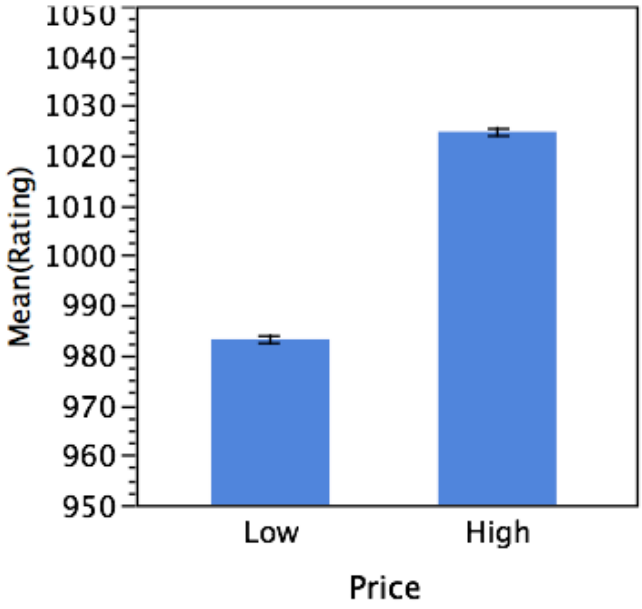

Figure 11: H1 - Liking

Note: Mean(rating) unit = pixel position on the screen

The figure illustrates the mean rating of liking for low priced wine = 983.2 and the mean rating for liking for high priced wine = 1024.8 with a 95% confidence interval showing on the chart that no overlap of the two effects were present and hence demonstrating the significant effect of perceived price on liking.

Translated, there is substance in the results both at the point of framing, when measuring subjects' unconscious arousal where they were exposed to the extrinsic cue price, and at the point of conscious liking after the actual tasting, where they were exposed to the intrinsic cue. Though the measured effect on liking was more significant than the effect of arousal we still find evidence that supports the prospect of measuring unconsciously formed preferences prior to tasting the wine. This result will be further discussed in 8.2.1. Hypothesis 1.

8.1.2. Hypothesis 2

In the second hypothesis we tentatively hypothesized that '*Respondents will have higher willingness to pay for wines originating from France and Italy relative to wines originating from Mexico'.* Hence it is hypothesized that subjects would have a higher WTP for wines cued with France and Italy as COO, as there are consumer tendencies indicating that the product category wine is positively associated with France and Italy. This will furthermore cause an expected lower WTP for Mexican cued wines because no empirical findings show specific positive relation between wine production and Mexico as COO.

Measure: WTP

WTP by COO was analyzed using a one-way ANOVA to show respondents' WTP for wines dependent on the COO. The effect proved to be significant ($R^2 = 0.30$ and $p<0.0001$), which specifies that we can explain 30 % of the variation in the WTP by this model. Further the variation = 95% confidence interval with $F=9187.9$, $p<0.0001$ shows a significant difference between the WTP for the three COOs. This is illustrated by the bar chart below:

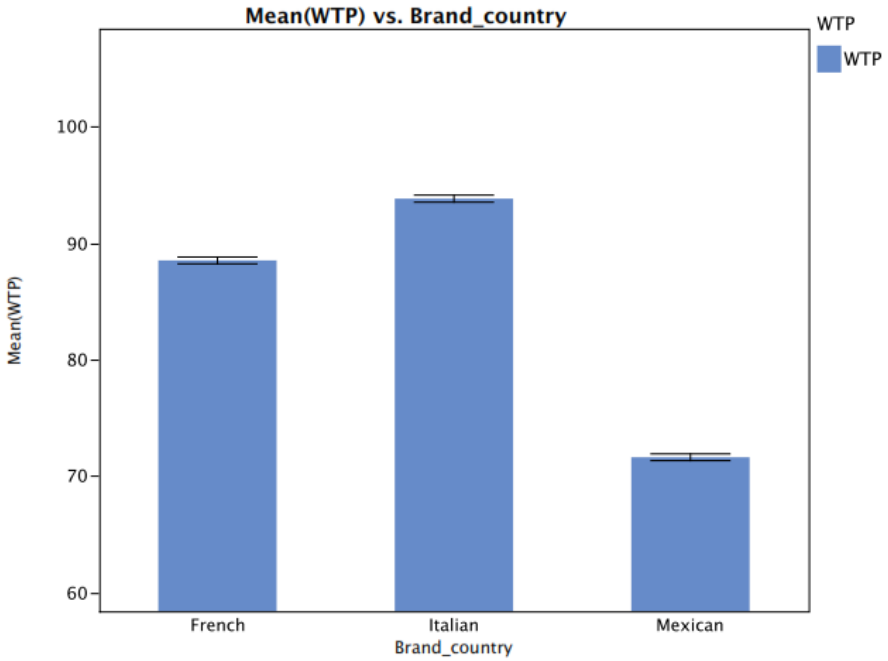

Figure 12: H2 - WTP

Note: Unit = WTP (in DKK)

According to the graphical presentation French mean = 89.7 DKK, Italian mean = 94.7 DKK and Mexican mean = 71.2 DKK. This supports H2 that hypothesized French and Italian wines as having higher WTP relative to Mexican wines.

Hypothesis 2: '*Respondents will have higher willingness to pay for wines originating from France and Italy relative to wines originating from Mexico'* - **Supported**

Measure: Arousal

We have for now established that subjects have higher WTP for Italian and French wines compared to Mexican wine. As was the case with H1 this is merely supporting what is known from the theoretical review. But to understand in-depth when the effect of perceived COO occurs, we firstly turn to a one-way ANOVA analysis for subjects' unconscious emotional arousals measured by pupil dilation when presented with the extrinsic cue COO.

The results show that there is a significant effect on subjects' unconscious arousal when they are exposed to the COO (R^2 = 0.30, p<0.0001), hence we can explain 30% of the variation in pupil dilation with this analysis. This is further substantiated by the significant differences between the three branded countries (F = 2359.8).

A graphical representation of this analysis is shown below:

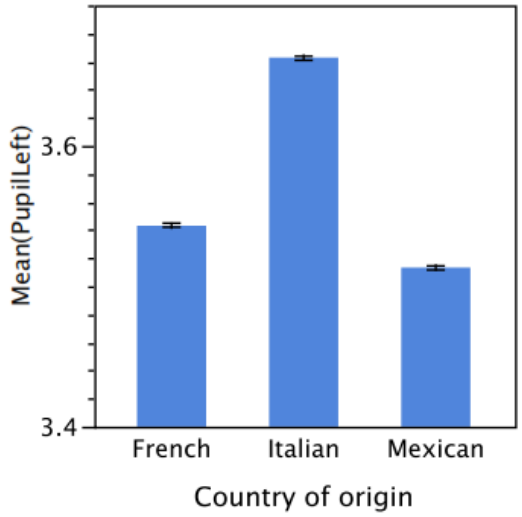

Figure 13: H2 – Emotional arousal

Note: The unit measure is a standardized measure for pupil dilation

The figure shows the mean pupil dilation for each COO. For French mean = 3.54, Italian mean = 3.66 and Mexican mean = 3.51, again with a 95 % confidence interval. It is apparent from the chart that the unconscious emotional arousal was most significant for Italian wines, followed by French wines and lastly Mexican wines. This captures that perceived COO effects are in fact measurable prior to the wine tasting, when subjects are only affected by the extrinsic cue. It further shows that the placebo-marketing effect seems to influence consumers' reaction. The results have some relation to the results from WTP in that it seems that the effect of COO can be measured by unconscious arousal at the point of framing.

Measure: Liking

From the above results we now know that perceived COO has a significant effect on WTP and a significant effect on unconscious emotional arousal at the point of framing, but to comprehend more precisely if subjects form preferences at the point of framing it is paramount also to know how strong the effect is at the point of liking (i.e. after tasting the wine, intrinsic cues). A one-way ANOVA test was undertaken to present how liking of the cued wines from France, Italy and Mexico respectively turned out.

The perceived COO effect proved to be significant ($F = 2687.6$ and $p<0.0001$) hereby illustrating the significant difference between the three branded countries.

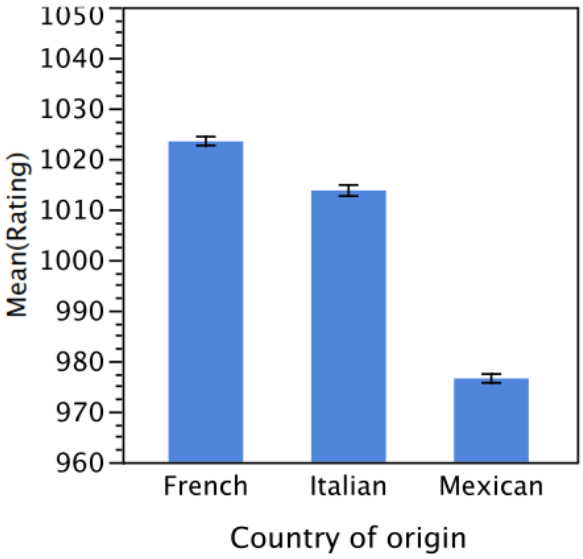

Figure 14: H2 - Liking

Note: Mean(rating) unit = pixel position

French wines were generally rated the highest in that French mean = 1023.4 and Italian mean = 1013.7. Mexican wines were generally ranked lowest as Mexican mean = 976.5. The chart further illustrates a 95 % confidence interval. Interestingly the data for WTP (conscious) for French and Italian wines are reverse compared to the liking (conscious) of French and Italian wines, in that for WTP Italian wines are ranked the highest followed by French wine contrary to what Figure 14 (above) indicates.

Overall it can be said that the significant results show support for H2, however it seems that at the time of framing we see an emotional reaction to the COO cued wines, indicating that already prior to tasting the wine the subjects form their preference for the wine. The pupil dilation shows strongest effect for Italian wines and smallest for Mexican, the same is the case for WTP. However for liking, the French wines have the highest mean score. We do not have any theoretical support stating whether French or Italian wines are the most preferred wines but these contradictory results will be discussed in depth in 8.2.5. Combined discussion of hypotheses. Though the results regarding liking for cued COO wines are significant (after tasting, intrinsic cue), so are the results from the framing of the cued COO wines (before tasting, extrinsic cue) which contributes to the idea that subjects' WTP might be formed before tasting the wine.

8.1.3. Hypothesis 3

In hypothesis 3 we combine the individual effects of price and COO as H3a states that '*Based on H1-H2 perceived high price and French wine will have positive correlation with respondents' willingness to pay'* and H3b correspondingly states that '*Based on H1-H2 perceived high price and Italian wine will have positive correlation with respondents' willingness to pay'.* The analysis is made to show the relative strengths between price and COO, and whether the two extrinsic cues influence and form preferences in the minds of the subjects prior to tasting the wines.

Measure: WTP

A two-way ANOVA was undertaken to investigate the effect of price and COO on WTP. Hence high and low priced cued wines in the three COO categories are ranked according to subjects' WTP for these wines. The graph below shows the mean WTP for each of the six wines presented.

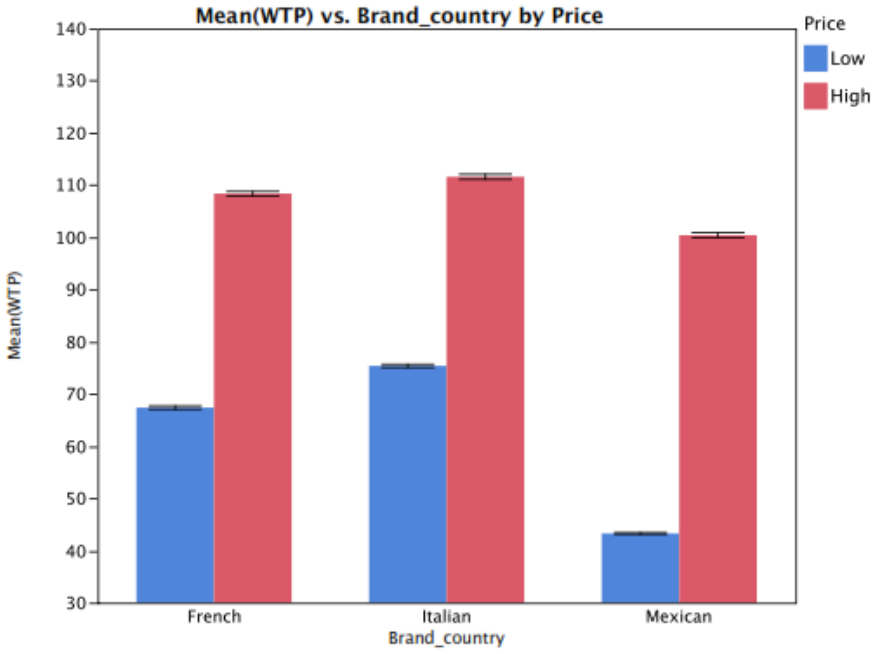

Figure 15: H3 - WTP

Note: Unit = WTP (in DKK)

The results gained are significant (R^2=0.42, p<0.0001) and we can explain 42 % of the variation in the WTP from this data result. Further the variation has a 95% confidence interval, which supports the validity of the data. The relative strengths between the variables further show significant results with *Price* F = 101,492.9 and *COO* F = 10,496.3 and the *combined effect* F = 2,314.4. This shows that price, as an extrinsic cue is the most dominant in affecting subjects' WTP, compared to both COO and the combined effect of the cues.

From the chart it is evident that there is a positive correlation between high priced French wine and subjects' WTP, supporting H3a. However the correlation is even stronger for high priced Italian wine and WTP, in that subjects indicated higher WTP for high priced Italian wine than any other wine, supporting H3b.

Hypothesis 3a: *'Based on H1-H2 perceived high price and French wine will have positive correlation with respondents' willingness to pay'* - **Supported**

Hypothesis 3b: '*Based on H1-H2 perceived high price and Italian wine will have positive correlation with respondents' willingness to pay*' - **Supported**

Measure: Arousal

The above indicated interesting results on the relative strengths between COO and price's influence on WTP and the next analysis will uncover whether this influence on WTP might arise already at the time of framing of the cues (unconscious arousal).

To present the results a two-way ANOVA was made for price and COO on pupil dilation. The result is very significant (R^2 = 0.59, $p<0.0001$) meaning that we can explain 59% of the variation of unconscious emotional arousal with this analysis. The chart below illustrates this:

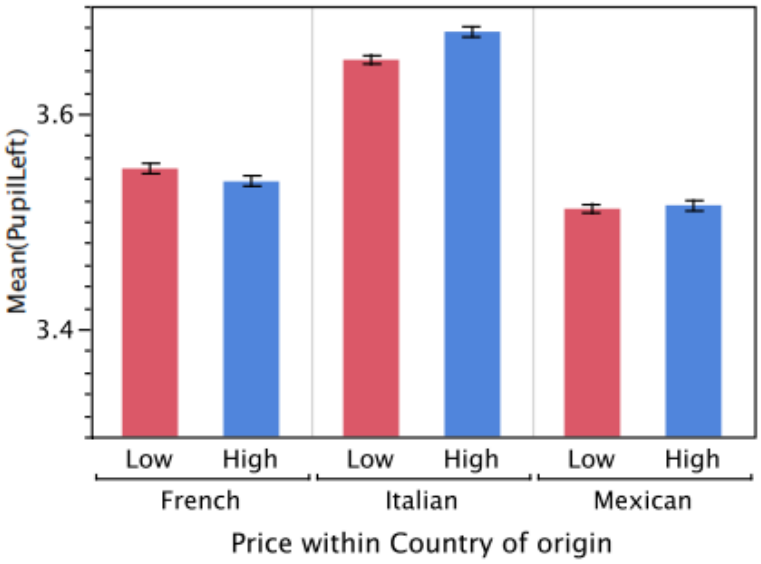

Figure 16: H3 – Emotional arousal

Note: The unit measure is a standardized measure for pupil dilation

The relative strengths between the variables are *Price* F = 42.3 and *COO* F = 6093.4 and the *combined effect* F = 64.2. The chart further indicates that the effect of perceived price at the point of framing is different depending on where the wines originate from. Hence for French wines, perceived higher price gives a reduced emotional arousal, for Italian wines high price

gives a stronger emotional arousal, and for Mexican wines perceived high price seems not to have any particular effect on arousal compared to low price (uncertain due to overlapping confidence intervals). These results only indicate a relationship between WTP and arousal for Italian wines and no relation between WTP and arousal for French and Mexican wines. Thus the results are less significant with regards to tracking formed preferences for wines at the point of framing (unconscious) the extrinsic cues COO and price.

Measure: Liking

We have until now found that the effect of price and COO on WTP is significant with price having the dominant effect on WTP, and that there is a relationship between emotional arousal and WTP at least for Italian wines, but to comprehend more precisely where the effect of the two cues occur it is paramount to know how strong the effect is at the point of liking (after subjects have tasted the wine). Especially as the results for unconscious emotional arousal were not consistent with WTP.

A two-way ANOVA test was made to demonstrate how the subjects liked the high priced and low priced wines from the different COOs. The graph below shows how the subjects liked the six wines according to their price and COO. The rating is shown as a mean score of all the subjects' ratings.

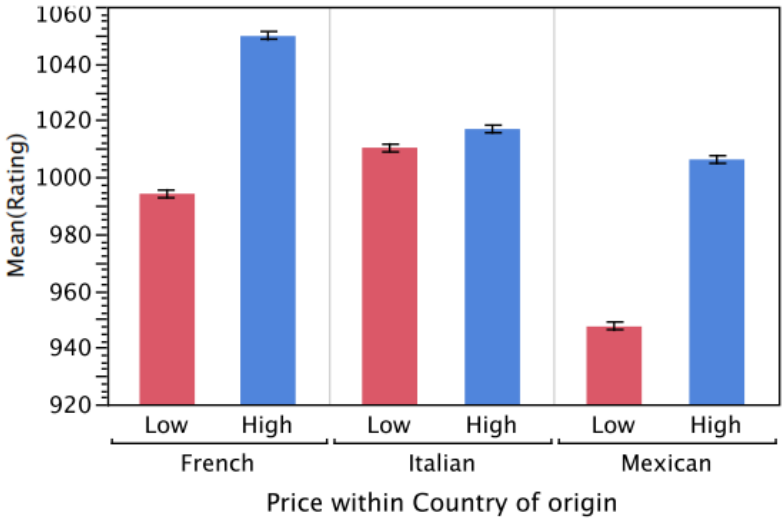

Figure 17: H3 - Liking

Note: Mean(rating) unit = pixel

The combined effect was again significant (R^2 = 0.11, $p<0.0001$) and 11 % of the variation in liking can be explained by this analysis. The relative strengths between the variables are significant showed by *Price* F = 6544.7 and for *COO* F = 2858.4 and the *combined effect* F = 917.8. From the charts it is evident that liking (conscious) and WTP (conscious) for high and low priced French wines have some relation, the liking (conscious) and WTP (conscious) for high and low priced Italian wines do not have a strong relation and it seems that price plays a minor role in the liking of Italian wines. Further the relation between liking and WTP for high and low priced Mexican wines is also present. Lastly the relation between arousal (unconscious) and WTP (conscious) for high and low priced Italian wines correlated, but for both French and Mexican high and low priced wines there was not the same correlation with WTP.

8.1.4. Hypothesis 4

A two-way ANOVA test has been undertaken to investigate the correlation between the factors WTP by price, COO and nationality (see Figure 18). This will show the WTP for the different nationality groups according to the COO of the wines and whether these were cued as high or low priced.

The effects of this analysis on the combined relation are significant (F = 7615.2, R^2 = 0.52 and $p<0.0001$) hence we can explain 52 % of the variation of WTP by this analysis within a 95 % confidence interval.

The individual effects of the different factors are *Price* F =101,063.3, *COO* F = 11,774.7 and *Nationality* F = 1.7. This hence shows that the effect of price is significantly more influential on WTP than either COO or nationality. Further COO is also a significant factor whereas nationality does not have a strong influence on WTP. This hence in turn answers our sub-question 1, which will be elaborated on in the 9.2. Discussion of sub-question 1. Lastly this analysis shows that both the COO and price effect have a stronger effect standing alone than in combination with the other factors.

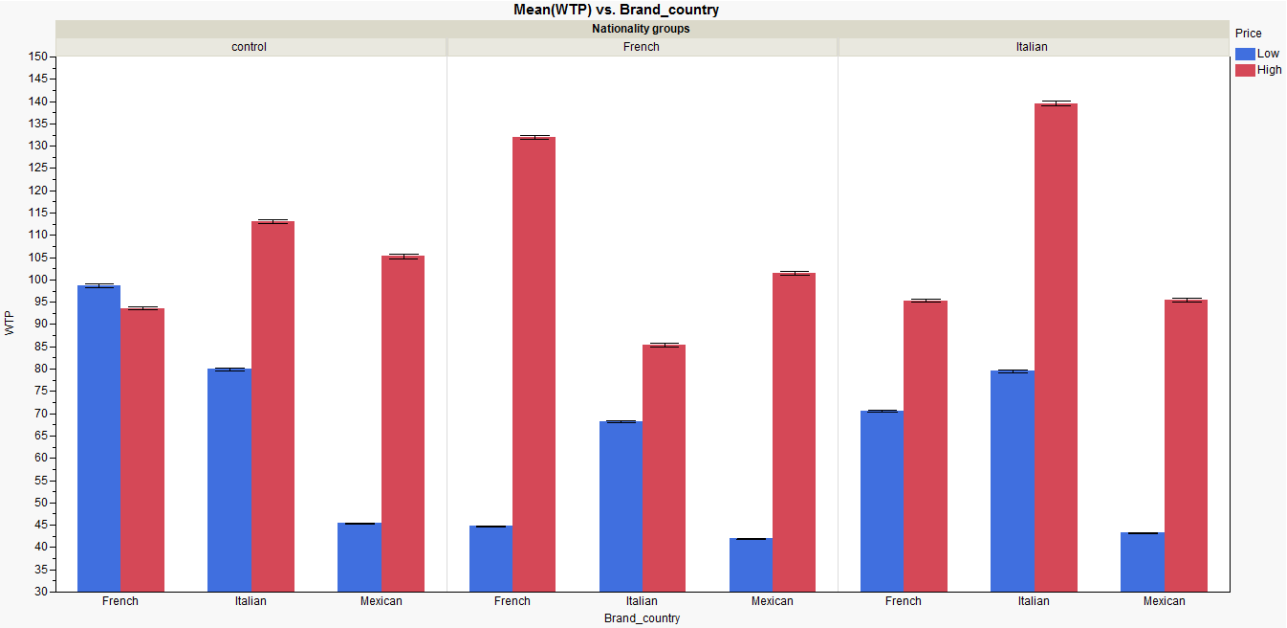

Figure 18: H4 - WTP

Note: Unit = WTP (in DKK)

8.1.4.1. Hypothesis 4a

Hypothesis 4a tentatively states that *'Based on H1-H3 perceived high price, French nationality and French wine (OCP) do have a positive correlation with French respondents' willingness to pay'* meaning that the factors price, COO and nationality will have an positive effect on respondents' WTP for the wine.

The data shows that French respondents have a higher WTP for all high priced wines in general compared to low priced wines (supporting H1). The highest WTP for these respondents is the French high priced wine (supporting H2a and H4a). However the French respondents value the high priced Mexican wine higher than the high priced Italian wine (contradicting H2).

When turning to the low priced French wine there does not seem to be an OCP effect since the Italian low priced wine was ranked higher on WTP than low priced French wine according to the French respondents (contradicting H2). Further the low priced Mexican wine does not receive a significantly lower WTP by these respondents than the low priced French wine.

Overall however we do find strong support for H4a since French respondents have significantly higher WTP for high priced OCP than for any other wine.

Hypothesis 4a: '*Based on H1-H3 perceived high price, French nationality and French wine (OCP) do have a positive correlation with French respondents' willingness to pay'* - **Supported**

8.1.4.2. Hypothesis 4b

In hypothesis H4b we tentatively state that *'Based on H1-H3 perceived high price, Italian wine and Italian nationality (OCP) do have a positive correlation with Italian respondents' willingness to pay'* meaning that the factors price, COO and nationality will have an positive effect on respondents' WTP for the wine.

The effect of perceived high price appears to have an effect on Italian respondents, as they are willing to pay more for both high priced French, Italian and Mexican wines relative to the low priced wines (supporting H1). When incorporating the COO effect we see that Italian respondents are more willing to pay for high priced Italian wine than respectively high priced French or Mexican wine, thus supporting both OCP effect and price effect (supporting H1, H2 and H4b). Interestingly their WTP for both high priced French and Mexican wines are equally low compared to high priced Italian wine, which from H2 is somewhat contrary as they should be willing to pay more for French wine compared to Mexican wine. However they are indeed more willing to pay for low priced French wine than low priced Mexican wine hence somewhat underlines support for H2. Nevertheless it is interesting to see that Italian respondents are more or less willing to pay similar amounts for low priced Italian and French wines which undermines the OCP effect slightly.

Overall however the results are significant as Italian respondents are more willing to pay for high priced Italian wines relative to high priced French or Mexican wines and hereby the results support H4b.

Hypothesis 4b: *'Based on H1-H3 perceived high price, Italian wine and Italian nationality (OCP) do have a positive correlation with Italian respondents' willingness to pay'* - **Supported**

8.1.4.3. Hypothesis 4c

In hypothesis 4c we tentatively state that *'Based on H1-H3 perceived high price and French or Italian wine will have a positive correlation with the control groups' willingness to pay'*, meaning that the cues price and in some sense COO will have a positive effect on these subjects' WTP.

The effect of COO is in this case (control group) surprising, since the WTP for the high priced wines is highest for the Italian wines, however followed by the Mexican wine and lowest WTP for high priced wines is for the French wine (the latter contradicting H2). For the low priced wines however there are tendencies supporting H2 namely that WTP is higher for French and Italian wines compared to Mexican wine. The low priced French wine however received slightly higher WTP than the high priced French wine, which contradicts H1. Further the low priced Italian wine has approximately the same WTP as low and high priced French wine and the high priced Mexican wine (also contradicting H1).

Turning to the hypothesis, H4c is partially supported since the price effect is evident for high priced Italian and Mexican wines, however not for French wines. Further the COO effect is present for the high and low priced Italian wines however not for the high priced French wines since high priced Mexican wines receive higher WTP. For the low priced wines there seems to be a COO effect since French and Italian low priced wines have higher WTP than low priced Mexican wine.

Hypothesis 4c: '*Based on H1-H3 perceived high price and French or Italian wine will have a positive correlation with the control groups' willingness to pay'* – **Partially supported**

To sum up the above findings a table showing the results from the analysis of the hypotheses is presented below:

8.1.5. Overview of the hypotheses

Hypothesis 1	*Respondents had highest WTP for high priced wines*	**Supported**
Hypothesis 2	*Respondents had highest WTP for wines originating from France and Italy*	**Supported**
Hypothesis 3a	*There was a positive correlation between high priced French wine and respondents' WTP*	**Supported**
Hypothesis 3b	*There was a positive correlation between high priced Italian wine and respondents' WTP*	**Supported**
Hypothesis 4a	*There was a positive correlation between high priced OCP and French respondents' WTP*	**Supported**
Hypothesis 4b	*There was a positive correlation between high priced OCP and Italian respondents' WTP*	**Supported**
Hypothesis 4c	*There was positive correlation with high priced Italian wine and WTP for the control group, however this was not the case for high priced French wine*	**Partially supported**

Table 3: Overview of hypotheses

8.2. Discussion and analysis of hypotheses

The following section will take a closer look at the data presented in the previous. The aim of this section is to discuss and elaborate on the above findings that will lay the foundation for the overall discussion of our research question and sub-questions. We will pay special attention to the potential implications these results will have for international marketers regarding wines. The discussion will combine the results from the data collection with our theoretical propositions to argue for relevant insights.

8.2.1. Hypothesis 1

'There is a positive correlation between perceived price and respondents' willingness to pay'

From the results presented above we found support for H1 as perceived high price has an effect on WTP (R^2=0.42, p<0.0001). In practical terms the data show that, consumers' perceptions of high priced wines will lead to higher WTP, than their perception of low priced wines. This result is relevant to P1 from our theoretical review. P1 illustrates that existing theory proposes price to be an indicator of perceived quality, which will enhance consumers' WTP. Our data thus supports this proposed linkage between quality and price, as the subjects were willing to pay more for high priced wines likely due to an assumption that it was of higher quality. Even though this is a linkage already investigated, we are by this analysis able to add to the theoretical validity of this linkage.

In the theoretical review we discussed the Veblen effect, which states that consumers are willing to pay more for a product otherwise functionally equivalent to lower priced products due to a desire for more status. This effect might have been triggered in our experiment as the perception of a high priced wine gives a feeling of superiority or luxury, which unconsciously influenced the subjects to prefer these wines. However we cannot make any final conclusions on this point as our analysis has not been focused on an in-depth investigation of psychological effects.

In the theoretical review we also found that price had conflicting effects on WTP due to the perceived value's trade-off between perceived quality and perceived sacrifice (summarized in P1 and P2). Following this our data showed that subjects were indeed willing to pay a higher price for wines perceived as being high priced. Hence it seems that for wines, perceived quality exceeds perceived sacrifice when considering the price cue, which also illustrates the theoretical argument from P3 that increasing prices leads to higher perceived quality as we are within subjects' 'acceptable price range'. This in practice means that consumers presumably value the quality of the wines higher than the monetary sacrifice, because they think they are getting higher

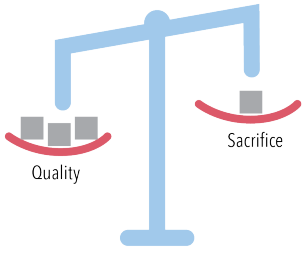

Figure 19: Perceived value trade-off

perceived value (i.e. constituted by the perceived quality and sacrifice). Thus setting high prices in stores (hereby meaning supermarkets etc.) should result in higher consumer WTP due to the prevailing quality cue of price in the minds of consumers. To the best of our knowledge, in order to earn higher profits this is something that the catering industry already embraces. They arrange their wines so that the second and third cheapest wine on the menu gives the highest return in terms of profit, as consumers have a tendency not to choose the cheapest wine but the second or third, which will still be within their spending limit.

This being said, we like to point out that in general this quality prevalence does not necessarily imply a higher quantity of wines sold, due to consumers' *individual* 'acceptable price range' (summarized in P3). Thus whilst consumers may be willing to pay more for a higher priced wine it may not be within their spending limit meaning that the quantity of wines sold may not be affected by WTP. In addition the prevalence of quality might also be because wines costing 200-300 DKK are within the subjects 'acceptable price range' (thus that our analysis is in the rising part of Figure 3), and if prices had been higher than 300 DKK it may have exceeded subjects' monetary sacrifice, thus making the perception of quality insignificant.

With respect to the discussion above and supported by P4, emphasizing that price alone does not portrait a realistic buying situation it is paramount to emphasize that price as a single cue will not yield a satisfactory result. Trailing this, the conclusion drawn from the data analysis related to H1 should be used with caution, as this project did not investigate subjects' individual price range in-depth, and the actual perceived monetary sacrifice was not measurable. Overall the data analysis related to H1 can however be used to support existing theoretical literature on the price cue's paramount influence on consumers' product preferences.

Our theoretical review section 4.5. The unconscious consumer behavior illustrates that preferences are formed unconsciously at the point of exposure of e.g. the extrinsic cue price. We investigated the formed preferences by the two factors emotional arousal (unconsciously) and liking (consciously) respectively. The data showed that perceived price did have an effect on emotional arousal, i.e. their unconscious reaction by the exposure to the extrinsic cue price ($F=4.7$, $p=0.0311$), but because the confidence intervals overlapped the uncertainty of this result is higher making conclusions on this analysis more vague. Further the effect was much more significant after subjects had made a conscious decision regarding the wine, i.e. after having been exposed to the intrinsic cue by having tasted it ($F=5660.2$, $p<0.0001$). Thus the main takeaway is that exposing consumers to a wine's price cue can possibly raise

unconscious preferences, supporting the effect of extrinsic cues independently of intrinsic cues. We are somewhat able to show that perceived price does have an effect on pupil dilation and hence emotional arousal at the point of framing (unconsciously). However we acknowledge the uncertainty in this result due to the overlapping confidence intervals, hence this conclusion is slightly uncertain. But overall we deem it relevant to use the result as an indication that higher prices do affect the unconscious mind.

Concluding on H1 it is clear that price is an indicator for consumers' assessment of wine both consciously and unconsciously. Although we must remain cautious as a study of price alone is not realistically representing decision-making, as we from our theoretical review know that the influence of price may decline as other variables are taken into consideration. This leads to the discussion of H2, where we will argue for the importance of wines' COO. The discussion of H1 and H2 will serve as the foundation for discussing the relative effect of price and COO juxtaposed in H3.

8.2.2. Hypothesis 2

'Respondents will have higher willingness to pay for wines originating from France and Italy relative to wines originating from Mexico'

Our results indicate that H2 predicting that respondents will have a higher WTP for wines originating from France and Italy relative to Mexico is supported ($R^2 = 0.30$ and $p<0.0001$). Hence there appears to be a connection between WTP and the wines' COO as Italian and French wines were rated higher than Mexican. Translated to a real purchase situation our data indicates that wines' COO can in fact affect consumers' assessment of the wines. Thereby our data supports theoretical insights, recognized in P6, which states that consumers use COO in the evaluation of wines, and moreover in P7 that consumer tendencies show preferences for French and Italian wines. Further the significant results suggest that France and Italy as countries are linked to a perception of quality for the consumers, suggesting that the two countries have some resembles to a real brand. This further illustrates the tendency touched upon in the theoretical review (see **4.2.3.1. Effects of COO on wine evaluation**), that e.g. French products are associated with sophistication, elegance and refined taste. Transferring this to a purchasing decision it also seems plausible that consumers make use of extrinsic cues such as COO, as they under normal circumstances cannot taste the wine prior to the purchase. This underline the fact from section 5.1. Product category: Red wine, that wine has

experience properties, meaning that generally to assess the wine consumers must experience it. Though under normal circumstances this is not possible, thus in the absence of any better basis for assessment, they use extrinsic cues such as COO as a quality indicator. This is also in line with P8 proposing that extrinsic cues are being used when lacking expert knowledge. Thus, marketers should evaluate how knowledgeable consumers are in a purchase situation. In the case with wine, they should clearly indicate if the wine originates from a 'branded country', as this might boost the perception of quality. If the wine does not originate from a 'branded country', a simple tasting in-store (supermarkets etc.) might be an idea, in order for the customer to assess the product based on intrinsic cues instead of extrinsic. The store could also have e.g. 'French week' with promotions on French wines to increase consumer awareness for these wines in particular. Overall our results thus indicate that marketers should consider wines' COO due to the effect it seems to have on WTP, for certain countries.

Challenging the above results, the theoretical review clearly highlighted that single cue studies of COO are not sufficient and the importance of subjects' nationality in the context of COO is important due to OCP effect, which might indirectly inflate the COO effect. Consequently, *although* our data indicates that COO has an effect on WTP, we know that we would secure a more accurate assessment of the effect if we incorporated factors such as price (H3) and consumers' nationality (H4). This is exactly why we built our third hypothesis in the juxtaposition of the effect of COO and price and in the fourth hypothesis, also incorporating consumer nationality. Hence as argued in the discussion of H1 these results should be used with precaution, and we need to build upon these results, which will be done in 8.2.3. Hypothesis 3a & 3b and 8.2.4. Hypothesis 4a & 4b & 4c.

Before doing so, additional interesting findings have emerged from the analysis with regards to the possibility of measuring unconsciously formed preferences, when subjects are exposed only to the extrinsic cues e.g. COO (P13). The data suggested significant results for unconscious arousal (R^2 = 0.30, $p<0.0001$) capturing that the display of COO can affect consumers' unconscious reaction to the wine. We point to the fact that Italian wine had by far the strongest emotional effect on subjects (see Figure 13), which might be due to several factors such as the specific Italian labels were more appealing, or that Italian wines have a stronger unconscious 'brand effect' than e.g. French wine. From our analysis we cannot explain this result besides speculating in the above reasoning. What further supports the likelihood of this is that the results for WTP (conscious) and arousal (unconscious) show the same tendencies i.e. the ranked preference based on arousal and WTP was for both: 1.)

Italian, 2.) French, and 3.) Mexican, wines. A puzzling result however appeared for the liking of the wines where the ranked liking was 1.) French, 2.) Italian, and 3.) Mexican, wines. We cannot explain why we experienced these contradictory results by anything else than contextual factors outside our control or study. Nonetheless the results reflect a possibility of capturing unconsciously formed preferences for wines with the use of placebo-marketing effects, i.e. in this case COO. The main takeaway is that exposing consumers to the COO cue can raise preferences for the wine thus affecting the unconscious choices made by consumers.

Trailing this we know from P13 that pupil dilation (the unconscious reaction) can be associated with decision-making and preferences and as our results suggest, displayed COO (especially Italian) aroused subjects significantly. As discussed for H1, this knowledge is interesting in an actual buying situation as consumers seem affected by wines' COO which in turn could affect the outcome of consumers' purchase decision. For marketers promoting wine this could possibly have implications for decision-making. Namely the question of what sorts of wines to promote and how to display them when knowing that the COO cue can influence consumers' preferences even when they have no prior knowledge and haven't tasted the wine. For example in stores (supermarkets etc.), wines from well-known wine producing countries such as e.g. Italy could be displayed with a clear indication of the COO to raise consumer preferences. It is further argued that marketers should put greatest emphasis on extrinsic cues, when it comes to e.g. wines due to the mere fact that consumers seldom have the opportunity to experience the wine prior to purchase (assuming that consumers have no prior knowledge, from P8). Although this discussion is something to reflect upon, further investigations are needed to fully support it (see 11. Limitations and Future research).

Summarizing the important elements from this discussion, it seems that COO does have an effect on consumers' unconscious and conscious assessment of wines. But to fully comprehend the importance of this effect, we need to consider the influence of COO on consumers' buying behavior in a more realistic manner by using a multi-variable study, hence leading us to the discussion of H3.

8.2.3. Hypothesis 3a & 3b

3a) 'Based on H1-H2 perceived high price and French wine will have positive correlation with respondents' willingness to pay'

3b) 'Based on H1-H2 perceived high price and Italian wine will have positive correlation with respondents' willingness to pay'

As previously established multi-variable studies are more accurate in predicting reality compared to single variable studies, thus in H3 we have juxtaposed the price and COO cues to understand the relative and combined strengths of the two. This is further combined with a discussion of measuring unconsciously formed preferences (arousal), when subjects are exposed to both cues simultaneously prior to tasting the wines.

Our results showed support for H3 that subjects would prefer high priced French and Italian wines respectively, as opposed to Mexican wines (R^2=0.42, p<0.0001). For the juxtaposition of price and COO's influence on WTP, the results indicate that price (F = 101,492.9) is the most important cue to consider followed by the also significant effect of COO (F = 10,496.3). Furthermore the combined effect of COO and price also had a significant influence on WTP (F = 2,314.4). We can underline the empirical results regarding H3 with respectively P1 that perceived price influence perceived quality and thereby drives WTP, but also by P4 highlighting the fact that price is not the sole variable in affecting consumers' WTP, leading to P6 that COO also has an effect on WTP in the assessment of wine. Finally, P5 explains that the effect of COO is minimized when combined with other cues such as price.

The support for H3 is interesting as this knowledge can be essential in the marketing of wines. Based on the results we argue that marketers need to put greatest emphasize on the price cue without neglecting the effect of COO in order to position the wines most favorably. Furthermore the results indicate that price at any point in time should be high for Mexican wines, as the subjects only seemed willing to pay for high priced Mexican wines. This result can be explained by our finding in the theoretical review that Mexico can be considered a 'non-branded' country with regards to wine. WTP for French and Italian wines were considerably higher, which is consistent with P7 that consumer tendencies show a preference for French and Italian wines. In this part of the analysis the subjects' nationality is not considered. However it is important to recall that subjects' nationality is important especially in relation to COO, as the effect of COO predominantly emerges when examining OCPs or products from culturally similar countries (referring to P9 and P10).

The underlining interest for this hypothesis is whether the results indicate any reaction in unconscious consumer preferences when subjects are exposed to both cues. Hereby we refer to the results from subjects' arousal (unconscious) (R^2 = 0.59, p<0.0001) and liking

(conscious) (R^2 = 0.11, $p<0.0001$). Slightly opposing the results from the single cue studies of price and COO respectively, the emotional arousal was not as significant in the juxtaposition (F = 64.2), though the results did indicate some effect, seemingly most influential for Italian both high and low priced wines. Furthermore the most effective factor in emotional arousal was indicated to be COO (*Price* F = 42.3 and *COO* F = 6093.4), which conflicts with the result for WTP, where seemingly price was the most effective influencer. Supplementing the contradiction we see very significant results for liking, which indicates that neuroscientific measures can be unstable (e.g. uncertain effect of high vs. low priced Mexican wine) and hence must be supported by other measurements. The significance of the results is debatable but the mere fact that we found some emotional arousal during the exposure to the cues makes the results interesting.

Overall the key takeaway from these results is that the juxtaposition of the cues showed emotional reactions (unconscious) towards mainly Italian wines, and the strongest factor measured by arousal was COO. This is up for discussion in section 9.4. Answering Research Question, as contradictory price seems to be the strongest factor in determining WTP. We found indications for the possibility to affect consumers at an unconscious level with extrinsic cues, i.e. price and COO, which should be of interest for marketers. Imagining consumers under normal circumstances in a supermarket, we assume that they are not able to taste the wines prior to purchase, hence cues like price and COO might influence them unconsciously, when making the final purchase decision. Further with little or no knowledge on the product, extrinsic cues play a vital role in assessing the quality (illustrated by P8).

Significant elements from this discussion are the fact that price was the predominant factor influencing WTP (conscious), whereas COO was found to be the predominant factor influencing arousal (unconscious), hence contradicting one another. The mere fact that we found unconscious reactions to the cues is interesting, but as mentioned earlier it is paramount to incorporate subjects' nationality in order to fully comprehend the influence of COO and OCPs on buying behavior. This line of thinking leads to the last hypothesis, H4, a discussion of the juxtaposition of price, COO and nationality to find the most influential factor.

8.2.4. Hypothesis 4a & 4b & 4c

4a) 'Based on H1-H3 perceived high price, French nationality and French wine (OCP) do have a positive correlation with French respondents' willingness to pay'

4b) 'Based on H1-H3 perceived high price, Italian wine and Italian nationality (OCP) do have a positive correlation with Italian respondents' willingness to pay'

4c) 'Based on H1-H3 perceived high price and French or Italian wine will have a positive correlation with the control groups' willingness to pay'

Building upon the prior discussions of H1, H2 and H3 it is expected that H4 with a juxtaposition including COO, price and subject nationality would reflect more realistically consumers' preferences. In H4 we tentatively hypothesized that there would be a relation between high price, certain COOs and subject nationality, in that subjects would prefer high priced OCPs. The control group would hence be expected to prefer either French or Italian high priced wines, because their nationalities should not have a significant effect on their WTP for either COO.

We found general support for H4 ($p<0.0001$, $F = 7615.2$ and $R^2 = 0.52$). Firstly the results show that French and Italian subjects do in fact prefer high priced OCPs, which specifically supports H4a and H4b. In practice this means that consumers (here Italian and French) would prefer wines from their own country above wines from other countries and they would also prefer high priced over low priced wines. This is consistent with P9 stating that ethnocentric consumers prefer OCPs due to an assumption that these are of better quality than foreign products. However P10 also states that consumers might prefer OCPs simply because they are more familiar with these, thus the theoretical findings makes it slightly ambiguous to make any conclusions on why this preference for OCPs exists.

The control group had the highest WTP for Italian wines thus supporting H4c. Interestingly however the group had higher WTP for high priced Mexican wine than high priced French wine contradicting not only H2 but also the theory summarized by P7, stating that subjects would prefer French or Italian wines because of positive associations with these countries. The reason for this contradiction is unclear and since we could not conduct an analysis on liking and arousal for this hypothesis (technical difficulties, see 11. Limitations and Future research) answering this ambiguity needs further research. With the knowledge gained, it might be that the control group's conscious choice (WTP) reflects a possible indifference towards the COO cue, and as the control group does not have any national connection with France or Italy the OCP effect did not play a role for these subjects.

Overall there seems to be a strong COO effect for the low priced wines, as the Italian and French wines are generally ranked higher than the Mexican (consistent with P7). However the

French subjects ranked the French low priced wine significantly lower than the low priced Italian and only slightly higher than the low priced Mexican, which contradicts the OCP effect. On the other hand the results from the control group contradicts the price effect in that these subjects ranked the low priced French wine slightly higher than the high priced French wine (contradicting P1).

The above section further adds to the ambiguity of consumer preferences in that the effects of price, COO and nationality do seem to affect the overall WTP, however in some cases these effects seems to be distorted by factors outside this study which we cannot account for. This also has to be considered in real life situations, and hence the promotion of wines is more complex than merely relying on these three cues. However this uncertainty aside the results are highly significant and should be useful to and considered by marketers within the field of wine.

Turning to the ranking of the three cues and which of these is more important, this last analysis gives strong indications regarding this. If looking at the three cues' F-values it is clear that the cue *Price* (F =101,063.3) has by far the largest effect on WTP, followed by *COO* (F = 11,774.7) which also has a significant effect and lastly *Nationality* (F = 1.7), which has a least significant effect in our study. The minor effect of nationality is further illustrated by P12, as some researchers claim that the influence of nationality is diminishing due to a more unified global culture. We will return to this in 9.2. Discussion of sub-question 1, as we believe that nationality might have an indirect effect on COO, i.e. by the OCP effect. Hence when measuring nationality as a stand-alone variable it might be insignificant. However when trailing the possibility of an indirect effect via COO, nationality might actually have a larger effect, which is also illustrated by P11 as some researchers claim that nationality does still have an influence on product preferences.

Furthermore the combined effect of the cues' ranks below both price and COO in F-value (F = 7,615.2) and hence if subjects were presented with only one of the two cues it would be more significant in affecting consumer behavior than if they were combined. This emphasizes what is known from the literature review, namely that single variable studies will generally have more influence on consumer behavior due to the isolating effect. However when combining several factors as in this study the effect is minimized presumably because the consumers take several factors into account, which minimizes the individual effect.

The overall result is of great importance to marketers and supports the findings from H1, H2, and H3, that perceived price influence perceived quality and hence drives WTP (consistent with P1). Although price is most dominant amongst the cues, COO (in particularly OCPs) must not be forgotten since this cue does in fact also have a significant effect on WTP (consistent with P6 and P11). These cues are hence the major influencers that marketers need to consider, and if the wine producing country is not well known price is the utmost important cue. Trailing this, the key takeaway is that price is the major influencer, in some cases backed up by COO as well as consumer nationality, especially OCPs. However other factors beyond this study also affects and distorts the results and hence marketers will have to rely on more than these factors when promoting wine. This being said the analysis has a fairly high R^2 (0.52) and hence can explain a vast amount of the outcomes from the study.

To sum up in the findings made from discussion of H4 there was clear support for the preference of high priced OCPs and this should hence be of major concern to marketers when making marketing decisions about e.g. displaying the wine. Though there presumably were some distorting factors affecting the results, we still found support for both price, COO as well as nationality, portrayed as an OCP effect.

8.2.5. Combined discussion of hypotheses

All in all we found support/partial support for all four hypotheses and hence *Price (F =101,063.3), COO (F = 11,774.7)* and *Nationality (F = 1.7)* do have conscious effects as well as unconscious effects on consumers' WTP.

To further conclude on our investigations there, as expected, seems to be a general relation between the measures WTP, liking and arousal. However in some cases this relation is distorted for reasons unknown to us. For H1 arousal (unconscious) seems to slightly indicate a relationship with WTP (however overlapping confidence intervals), whereas liking (conscious) is fully consistent with the results on WTP. However for H2 arousal (unconscious) follows the results of WTP whereas liking (conscious) contradicts these results. For H3 there is no significant relation between neither arousal (unconscious) nor liking (conscious), and hence WTP cannot be predicted fully using these factors. These results show both the advantages and limitations to both conscious and unconscious investigation methods, and hence points to the benefits of using both. Marketers cannot expect consumers to be fully aware of their own behavior and choices, and therefore an investigation asking them directly why their behavior

pointed in a certain direction may not fully reveal the answer to the question. The relation, which in certain instances is indicated between unconscious arousal and WTP, shows the importance of incorporating neuroscience in marketing research.

Overall however the results gained are only indications of a possible causal relationship between unconscious emotional arousal and subsequent WTP, but from P13, we know that pupil dilation can be associated with decision-making and preferences for a product. Hence the somewhat significant results on unconscious arousal suggest that marketers might need to consider not only intrinsic cues, but also extrinsic cues. Further it is interesting that consumer preferences for a product such as wine might be influenced prior to any tasting of the wine, as one might assume that preferences for wines were controlled by e.g. gustatory and olfactory perceptions (intrinsic cues) and not merely a perception of its quality.

The inconsistency of results with regards to liking and WTP seems puzzling since both are conscious decisions made by the subjects and thus it is unexpected that e.g. for COO the preference changes from French wine in liking to Italian wine in WTP. In theory subjects should be consistent, when they make a conscious product choice, however this example proves the fact that this is not necessarily the case. This further supports the use of unconscious measures as they may play a more important role in determining WTP than liking in certain cases.

Another interesting finding from our data analysis was that more often than not it seemed Italian wine was preferred over French wine although this was not hypothesized. Overall this might be an indication that Italy as a wine brand is superior relative to France as a wine brand. We find no specific explanation in the empirical findings, thus at this point it will remain a speculation of ours. Part of the reason however may be found in the fact that French subjects actually prefer low priced Italian wine above low priced French wine and this hence contradicts the COO and OCP effect (see Figure 18). The results further indicated that the differentiation in preference between high and low priced Italian wines is less significant than is the case with high and low priced French wine hence the price effect is more significantly affecting the quality assessment of French wines. The latter was as mentioned also the case for Mexican wines and hence these two may be more influenced by the price effect than Italian wines. Knowing that COOs such as France and Mexico will have less influence on consumers' preference, it is paramount to set a price that will entail a quality stamp. This knowledge can be combined with the indications in the theoretical review that consumers with little or no prior knowledge regarding the products (here wine) tend to rely more on extrinsic cues.

8.2.6. Implications for selling wine

The knowledge gained from the above discussion gives grounds for an overview of what implications this entails specifically when selling wine. We will in section 9.4.1. Strategic Recommendations give an overview of the general implications for marketers, but we deem it relevant to address some of the specific consequences for wines at this point of the discussion.

Considering Italian wine, we argue that when promoting this product great emphasis should be placed on the products' origin, as our results show clear tendencies for this being an important cue, not just for Italian consumers. Our results indicate regardless of the pricing (high vs. low) that Italian wines generally have the highest WTP, which supports our argument for strong exposure of the COO when selling the wine. Although we underline that price is still the most influential factor for all the wines including the Italian wine, thus using price as a marketing effect is still important.

Regarding French wine, the results imply that price is paramount for consumers in general. This indicates that when promoting French wines to consumers regardless of nationality, the greatest emphasis should be on the price cue. Trailing this notion our results also showed that the OCP effect is present for French consumers, but only with regards to high priced French wines. This implies that marketers should promote high priced French wines especially to French consumers, as it seems this will affect their preferences positively. The COO effect however should not be neglected for French wines, as the French wines were generally preferred over the 'non-branded' Mexican wine.

Lastly concerning Mexican wines and presumably wines from other 'non-branded' wine producing countries, our results show a general tendency for price being the prevailing stimuli. Hence marketers should in all circumstances position the wine as high priced, as this will increase consumers' perceived quality making them more prone to buy the wine. However simply pricing the wine higher will not necessarily yield greater WTP, if the pricing does not entail a perceived value for the consumers.

A discussion of the research question and sub-questions will follow to shed more light upon how marketers can make use of marketing effects to more effectively market products in general and hence affect consumers' WTP.

9. Discussion: Application to a generic level

In the former section 8.1. Presentation and analysis of data collection and 8.2.5. Combined discussion of hypotheses, we presented the data results and discussed the findings. We placed emphasize on 1) the relative strengths of the factors under investigation and 2) the uncovering of unconsciously formed preferences that may possibly affect WTP. We found support for all four hypotheses (H4c partial support), and we argued that it is paramount to understand the factors' relative impact on consumers' assessment of wine. We further underlined the importance of investigating multiple factors in order to grasp the authenticity of a real buying situation. Lastly we argued that unconsciously and consciously formed wine preferences respectively contain significant knowledge for marketers.

For now we have analyzed and discussed our findings in relation to wine. In the next section we will elevate the discussion of our research to a generic level. Thus we will discuss how our findings can answer our research question regarding how marketers can affect consumers' WTP, when they have information on consumers' unconscious and conscious responses to extrinsic cues. Following this we will build strategic recommendations for international marketers on the considerations when promoting products internationally. Finally in the section on limitations and future research we will discuss the pros and cons of using a product such as wine to make general conclusions on consumers' WTP, and what limitations this project had that could be avoided in future research.

9.1. Discussion of Research Question

Research question: How can marketers affect consumers' willingness to pay with price, country of origin and consumer nationality?

To build a sound foundation for this project we chose to work with sub-questions to support our research. Thus we need to connect the findings from these two sub-questions to answer the research question. The two sub-questions address 1) the relative relationship between the factors under investigation and, 2) whether consumers form product preferences unconsciously, and if so how marketers can use this information.

The purpose of sub-question 1 is to investigate the importance of the relative strengths of the factors price and COO in combination with consumer nationality to investigate how they individually and collectively affect product preferences. Thus, knowledge gained when

answering this sub-question may provide insights into ways products can be promoted to raise consumers' WTP. Further the purpose of sub-question 2 is to uncover unconscious product preferences, which will serve as the basis for a discussion of the creation of preferences without consumers being consciously aware, and how marketers can use this to influence consumers' WTP. This is important insights as the literature review section 4.6. Neuroscientific insights for theoretical understanding, underlines that it is possible to measure emotional arousal for products such as wine prior to physical exposure to the product. Further it has been shown that consumers are more likely to recall emotionally arousing events, making them more prone to remember and choose these products on future occasions.

From the above it is clear that the insights created by a combined discussion of each of the sub-questions will provide the foundation for answering our research question. Hence the next sections will discuss sub-question 1 and 2 respectively.

9.2. Discussion of sub-question 1

What are the relative strengths between the factors price, country of origin and consumer nationality?

The first sub-question focuses on the relative strengths between the variables and their influence on WTP.

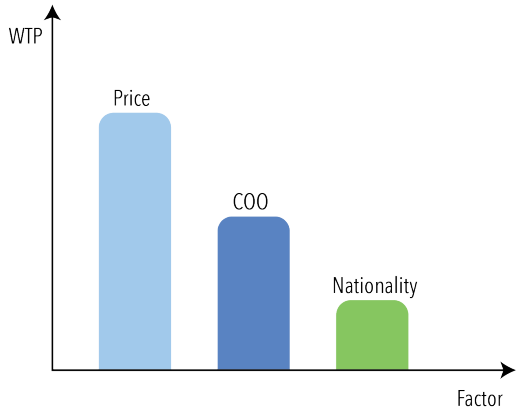

Figure 20: Relative factor strength

The figure is a conceptual illustration of our findings with regards to the relative strength of the variables on WTP

Our data showed that perceived price is significantly more influential on WTP than either of the cues COO or nationality. Though COO is still a significant factor, whereas nationality does not have a strong influence on WTP in comparison with the other two factors. Nationality however might have an indirect effect on COO, hence possibly inflating the effect of COO for French and Italian wines.

On a generic level this finding is highly relevant for marketers due to several factors. Recalling that the literature review established price effect as the most dominant factor, we are now able to confirm that price is in fact the most central variable in consumers' assessments of products, and we hereby contribute to the existing theoretical insights. Although the effect of price is minimized in the multi-variable analysis, our results do indicate that marketers should not underestimate the effect of price even with other factors present. The explanation for this we argue could be the perception of value, as it is often important for consumers to have the sense of acquiring at least the value they paid for. Consumers' perception of value is hence the individual perception of price, which sums up both perceived quality and sacrifice (see Figure 2).

The influence of COO on consumers' WTP showed also to be significant. Given the significance of our results it is probable that COO has an effect on consumer assessment on a generic level as well. This is somewhat contradicting some of our theoretical findings proclaiming that the COO effect is insignificant in product evaluations. On the other hand we also had theoretical findings supporting the influence of COO. Hence our results challenge the first part of our theoretical findings and support the subsequent part. It is however important to note that the COO effect for wines is likely to be more significant than for other product categories. This reservation will be discussed in full in the section 9.4. Answering Research Question. Further it might be that the COO effect for France and Italy might be inflated due to OCP effect in that 2/3 of the subjects were either French or Italian, this will be further touched upon in the section on future research (see 11. Limitations and Future research)

The results also contribute to the discussion of market internationalization and the question of product standardization versus differentiation. The results indicate that products' origin remain a significant factor for consumer preferences. As shown from our data for both France and Italy, consumers seem to assign these countries a positive quality (also looking aside the OCP effect). From the theoretical review we have assigned both as 'branded countries' in the wine category, an assignment, which is supported by our findings. Building upon this, subjects showed only to be willing to pay a significant amount for *high* priced Mexican wines (and not

for low priced). This indicates that for this 'non-branded' country subjects merely used price and not COO as an indicator for quality. Thus on a generic level it could be important for marketers to take into consideration that the importance of the COO effect depends on whether the country is branded or 'non-branded'. More specifically, this ambiguous effect of COO means that it can be beneficial for marketers to understand which countries are defined as branded countries in the minds of consumers. Overall the results raise several new questions with regards to how marketers should and could use COO as a marketing cue that may influence consumers' WTP. This will be further discussed in the section 11. Limitations and Future research.

Lastly the importance of consumers' nationality was deemed to be the least influential factor in our study. At a generic level we argue that national segmentation might not be the most paramount factor for marketers to consider. However this being said we *do* see a strong indication that French subjects are in fact more willing to pay for (high priced) French wines, just like Italian subjects are in fact more willing to pay for Italian wines. Hence our study indicates that the OCP effect is significant, possibly due to ethnocentric feelings. This contributes to the discussion on a generic level of whether consumer preferences differ across national borders or, whether global consumer homogeneity is prevailing. Our results indicate that nationality can be a relevant factor for marketers to consider, especially if focus is on promoting products originating from consumers' own countries. Thus the idea of complete global consumer homogeneity is not supported by our results. In this line of argument it seems that although nationality in itself did not have a strong effect, it might have an indirect influence on how subjects reacted to the COO. Hence we argue that nationality should presumably be considered in the light of products' origin, and more specifically as OCPs. Overall we seem to capture interesting findings about the importance of nationality that raises new questions to be discussed further in section 9.4. Answering Research Question

To answer sub-question 1 - it seems evident that the cue price has by far the most significant effect on consumers' WTP followed by COO with a significant effect and lastly nationality which had the least but however still significant influence on WTP.

9.3. Discussion of sub-question 2

Does the consumers' unconscious mind form product preferences based on the placebo-marketing effect of extrinsic cues, and if so is it then relevant for marketers to incorporate this into attempts at affecting consumer behavior?

To answer sub-question 2, we will look into if the level of unconscious arousal may be used to make predictions about the final WTP (conscious), and how marketers can use this knowledge to promote products. The measure of liking (conscious) is used as a means to illustrate whether a conscious measure of consumer preferences will fully indicate WTP, or whether it will in fact entail a more accurate knowledgebase when understanding consumers' unconscious preferences.

If firstly looking at the effect of price on the measures arousal and WTP (H1) it is possible to track a slight preference for higher priced products in subject arousal (unconscious) however this preference is not as significant (due to overlap in confidence intervals) as is the preferences when looking at WTP (conscious). Liking (conscious) on the other hand fully trailed WTP, and hence in this case shows more accuracy in predicting consumer preferences. This changes when looking at arousal and WTP for COO (H2), where the measures seem to not only trail each other, but also contradict liking. Hence measuring the level of arousal (unconscious) for COO gives a more accurate estimate of the tendencies for WTP (conscious) than asking the subjects, how they liked the wine (conscious) after having tasted it. Lastly the effect of COO and price in combination (H3) also seems significant for arousal (unconscious) and WTP (conscious). Moreover once again the liking (conscious) seems to be a less accurate way of estimating WTP, than the unconscious arousal.

Based on the above it seems that the unconscious level of arousal does indicate some tendencies for the effect of placebo-marketing effects for extrinsic cues before subjects have been exposed to the product, i.e. exposed to intrinsic cues.

At a generic level the measure of emotional arousal may be fully applicable for other products as well. Although the results may not be the same as with this study, it is still reasonable to expect marketing effects will influence consumers' unconscious preferences. This being said the level of arousal (unconscious) for price (H1) only showed a slight preference for high priced wines. Hence although these insights might be useful, they may not be suited as stand-alone measures at the moment, and further research should try to develop a more in-depth understanding of the potential of arousal as a measure to predict preferences.

An interesting aspect of the study was that subjects were not always consistent in their liking and subsequent WTP, although these took place within 15 minutes of each other and are both conscious decisions. For COO we found that liking actually contradicts WTP and arousal (unconscious) in terms of the ordering of French and Italian wines respectively, and hence in these instances relying on subjects' liking could provide faulty or maybe even harmful insights. Marketers may brand their products incorrectly and not according to actual consumer preferences. This being said however in certain instances the liking (conscious) of a wine was more accurately predicting WTP (conscious) than arousal (unconscious) in our study, and hence both measures seem relevant in estimating consumer preferences.

Based on our study, the answer to sub-question 2 is that tendencies regarding product preferences might already be (unconsciously) traced at the point of exposure to the placebo-marketing effects (product label, price and flag), in most instances. The question is now whether these insights are useful in real buying situations for marketers to understand and predict consumer preferences. Based on our study and discussion the methods measuring unconscious preferences can be useful, and may indeed reveal some interesting insights that would not otherwise be revealed. The unconscious measures may also be an advantage to marketers in cases where it is beneficial that consumers are not aware of the investigation or in cases where asking consumers is not an option. However to fully understand and apply the method more in-depth research will have to be conducted as will be touched upon in the section 11. Limitations and Future research.

9.4. Answering Research Question

Research Question: How can marketers affect consumers' willingness to pay with the factors price, country of origin and consumer nationality?

Coming back to our research question regarding how marketers can affect consumer preferences based on marketing effects such as price and COO as well as consumer nationality. We will combine the two previous discussions on sub-question 1 and 2 as well as the discussions of the hypotheses to answer this question. We have argued that price is the paramount influencer on consumers' WTP, followed by the significant influence of COO, and lastly followed by the minor though still significant influence of consumers' nationality. Furthermore, we have argued that unconscious preferences are affected by placebo-marketing effects and do seem to give indications of consumers' subsequent conscious WTP

in most cases. Recalling, the conceptual model from the theoretical review, Figure 4: Conceptual model of the factors, illustrating our lack of knowledge on the variables' effects on WTP, we hereby present the same model, however adapted to incorporate the knowledge gained from the analysis and discussion:

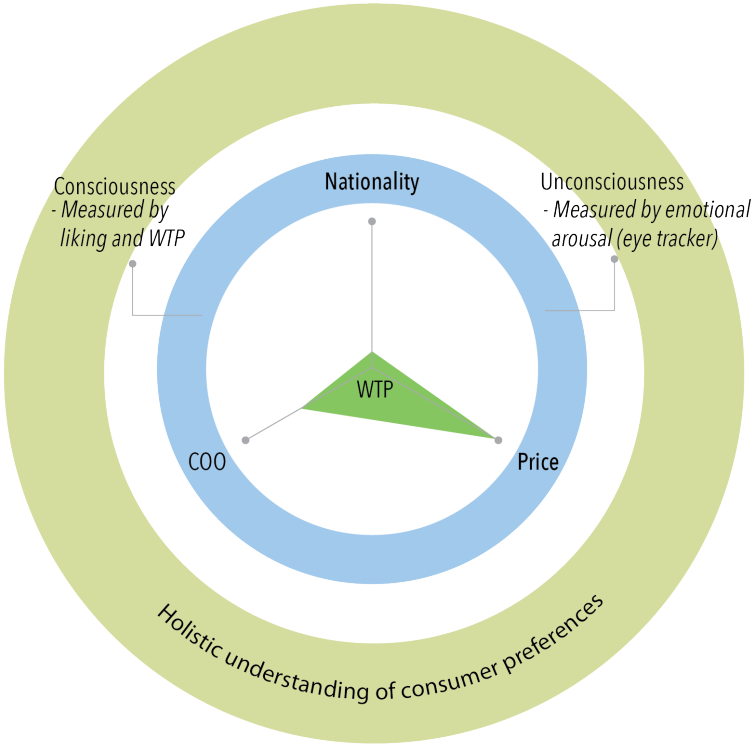

Figure 21: Post conceptual model of the factors

The model shows the relative influence of each variable, in accordance with our results. Further we establish that marketers will gain a holistic approach to understanding consumer preferences by using conscious as well as unconscious measures. Following this we are better able to guide marketers in using marketing factors such as price and COO to influence consumers of different nationalities consciously and unconsciously, which will be discussed next.

We have found that a measurement of emotional arousal (unconscious) in combination with asking for consumers' liking (conscious) will provide a more holistic foundation for marketers to understand, how they can affect consumers WTP and hence their preferences. Turning to the factors in question, firstly our results indicated that consumers would be willing to pay more for

high priced products, hence we argue that this might be due to a linkage between perceived price and a perception of quality, as higher prices have been shown to give a perception of higher quality. Further we also found evidence of a slight unconscious reaction (emotional arousal) to higher prices, which indicates that price might affect consumers without them being aware of it (however confidence intervals overlapped). Which we again substantiate could be due to a linkage between perceived price and quality. Following this we reason that the consumer reactions to this price-quality linkage could be due to a desire for luxury, emphasizing that high prices might generate an unconscious feeling of status that can affect consumers' WTP for the product. This illustrates the importance for marketers to set prices high and emphasize this cue in product promotions. In this line of argumentation we underline that marketers would benefit from understanding their consumers' 'acceptable price range' – as the price at some point will yield too high a monetary sacrifice compared to the perceived quality of the product, and hence will exceed consumers' highest acceptable price (see Figure 3). Thus emphasizing that setting high prices will not in all cases generate higher WTP.

Secondly, we found significant evidence of a COO effect for France and Italy, influencing how much consumers were willing to pay (conscious) for products originating from these countries. This was also the case when incorporating price as a variable, hence underlining that COO seems to have an effect on WTP even in multi-variable studies. Following this we also found significant evidence indicating that COO gives rise to unconscious emotional arousal, and that consumers have an unconscious reaction when being exposed to the COO cue. Interestingly and supporting the argument of using both conscious and unconscious measures, we found that the liking (conscious) of the COO cue, contradicted both the tendency for WTP (conscious) as well as arousal (unconscious). Thus underlining that consumers' unconscious preferences can sometimes be a better predictor of conscious preferences, than asking consumers how they liked the product (conscious answer). Overall this gives credit to the importance for marketers to be attentive to 'branded' countries, such as France and Italy in the case of wine as it may influence consumers' preferences. Hence when selling products from 'branded' countries marketers could in-store (supermarkets etc.), clearly mark where the product originates from in order to unconsciously and consciously affect consumers. On the other hand, marketers must also be attentive to countries, which has no real 'brand like' associations in the minds of consumers, such as e.g. Mexican wine. Hence when selling products from 'non-branded' countries, emphasis should be on using price as a quality stamp, instead of COO. Following this it is recalled that the results mainly indicated an OCP effect,

which means that products' origin generally seems to influence WTP, when subjects are exposed to products from their own country. This makes it essential to discuss consumers' nationality, which we will go into details with next.

Thirdly and trailing the above, we argue that marketers should recognize the importance of consumer nationality, as this factor seems probable to have an indirect effect on the perception of COO. We recall that the relative strength of nationality on WTP was the least significant variable compared to price and COO. However we argue that this does not necessarily undermine the importance of nationality, because it could be indirectly affective through the COO variable. This makes it difficult to measure the nationality effect in itself. This argument rests on our results supporting an OCP effect, hence that Italian subjects where especially willing to pay for Italian wine, and that French subjects where especially willing to pay for (high priced) French wine. This demonstrates that attention should particularly be paid to the preference for OCPs. This will be touched upon in the section 11. Limitations and Future research.

This being said we do acknowledge that our choice of product category i.e. wine might not have full generalizability due to aspects such as e.g. specific associations for wines' price and COO, which are not necessarily applicable to other products. This will be further elaborated in the section 11. Limitations and Future research.

To sum up the answer to our research question, a primary point for marketers to be aware of when seeking to influence consumers' WTP is that the consumers' preferences are formed both consciously and unconsciously. Hence both measures should be considered in a marketing strategy. Based on our conscious (liking and WTP) and unconscious (emotional arousal) results and analysis of consumer preferences, we argue that marketers can use the factors price, COO and nationality to affect WTP. More specifically we highlight the importance for marketers to consider setting prices high composed with emphasize on products' 'brand-like' COO (whenever possible), which should be understood in the context of consumer nationality (and OCP effect). Thus underlining the importance of the OCP effect, which can be an important factor in influencing consumers' WTP. All of this should contribute in affecting consumers' unconscious and conscious WTP positively. We underline that marketers must recognize for which products it can be suitable to use the mentioned effects, as we deem it possible that our results will not be applicable for all product categories (see 11. Limitations and Future research*).*

In the next section, we will further elaborate on these findings, by making strategic recommendations for how marketers can affect consumers' WTP. This will act as the elaborated answer to our research question in a general, practical setting.

9.4.1. Strategic Recommendations

To answer how marketers can affect consumers' WTP we will in the following give strategic recommendations on how effective the factors *price* and *COO* in the context of consumer *nationality* are. This will be done in combination with having conscious (liking and WTP) and unconscious (emotional arousal) measures of the influence of these variables on consumer preferences.

9.4.1.1. Recommendations on Price

Marketers may be able to draw several insights from our study. Firstly, there was a clear indication pointing towards pricing strategy being highly important in affecting both liking and WTP (conscious), and hence marketers should emphasize this in their marketing efforts. As recalled from our empirical findings for emotional arousal (unconscious), we also saw a slight indication of preferences for high priced products (however overlapping confidence intervals). For products such as e.g. wine, price often acts as an indicator of quality due to the high level of experience properties, which as recalled from section 5.1. Product category: Red wine illustrates that wine needs to be experienced in order to make proper quality assessments. So as it is often not possible to taste the wine prior to the purchase, extrinsic cues such as price become useful indicators in the perception of quality. We therefore recommend that marketers consider how their pricing strategy reflects product quality for their customers. More specifically for products having the same characteristics and level of experience properties as wine, we recommend marketers to pursuit a pricing strategy with higher prices to reflect the product quality. We are however aware that consumers have a value perception (the tradeoff between perceived quality and perceived sacrifice), and hence pricing a product unrealistically high will not necessarily yield higher WTP per se. We therefore recommend marketers to conduct research into the effect of price and consumers' perception of value for the product in question in order to conduct the best possible pricing strategy.

9.4.1.2. Recommendations of COO in the context of Nationality (effect of OCPs)

Understanding the implications of working in an international context, we recommend that international marketers consider that the COO of the product as well as consumer nationality have an effect on WTP. Recalling, this is especially influential if the product originates from a well-known country within its product category (e.g. France and wine, Germany and cars) and/or if the product originates from consumers' own country (OCPs). Hence if the product originates from a country renowned for that specific product category, our findings indicate that it will affect consumers' WTP positively. This should be emphasized in the marketing efforts e.g. by a flag representing the COO, using the language of the originating country, having a spokesperson from the originating country. As suggested by North, Hargreaves & McKendrick (1997) supermarkets etc. could e.g. play French music to affect consumers unconsciously to prefer French products. In the case of OCPs marketers could also emphasize the COO and may use phrases such as 'buy French/Italian/Danish/etc.' to relate to the specific consumers' sense of ethnocentrism. By strategically using the COO cue to affect consumers, the products may be chosen over similar products originating from other countries with similar price, quality etc.

In this line of thinking the unconscious effects of COO combined with consumer nationality could also play a vital role for marketers. Our study indicate that COO in the context of nationality has unconscious effects on forming product preferences, a point which marketers can use strategically. The different marketing efforts mentioned in the previous sections are also applicable here, as the foundation lies in the fact that COO in the context of nationality (OCPs) seems to have a conscious as well as unconscious effect on consumer preferences.

Whether consumer preferences are moving towards international homogeneity or remains nationally heterogenic is uncertain. Further scholars seem to be divided in favoring either strategic standardization or strategic adaption towards the international markets. The point is to understand the importance of nationality, and whether it will influence differences in product preferences. Further, even though an international COO effect exists for e.g. French wines this does not entail that consumer preferences are becoming homogenized. Contrary, if all nationalities preferred French wine, marketers could all other things being equal merely drive a strategic standardization. Thus the argument is that knowledge on specific national tendencies must be gained, to understand what specific nationalities are e.g. willing to pay for a French wine relative to a Mexican wine. Trailing this line of thinking, our results showed that products'

origin in combination with consumers' own nationality are variables that are paramount in product promotion when working in an international context.

9.4.1.3. Benefits of unconscious measures

Building upon the previous we recommend that marketers should consider the level of impact unconscious measures have on consumer preferences. Consumers may not be aware of the full reasoning behind their product choices due to unconscious factors affecting them (e.g. extrinsic cues). Marketers could beneficially tap into this, as they might be able to understand these unconscious factors if conducting investigations similar to this. This might enable them to understand why consumers prefer certain products and how to accommodate the product or marketing strategy to better match consumer preferences. This way marketing efforts may reach consumers without them being fully aware of it, and hence without them having skepticism which consumers may have towards promotions aimed at their conscious preferences. However marketers will also have to consider the ethical aspect of directing marketing efforts at the unconscious mind as for example making use of apparent product placement. Because consumers, if realizing this, may feel manipulated and therefore might react negatively towards the product.

Overall we found that the factors price and COO in context of consumer nationality affect consumers on the unconscious as well as the conscious level. Based on these findings we recommend marketers to broaden their knowledgebase to identify how price, COO and consumer nationality affect WTP for their specific products. We argue that these insights give a holistic approach in marketers' strategic product promotion, whatever the product might be.

As outlined in this paper, marketers must understand the factors that affect consumers in order to market their products i.e. to know if they should adapt to specific consumer needs. Furthermore it is imperative for marketers to become more knowledgeable regarding consumers' conscious as well as unconscious preferences and choices, as the unconscious mind is shown in this study to have an effect in determining WTP. By understanding more in depth how and why consumers behave the way they do, marketers can more effectively market their products to the consumers.

10. Concluding remarks

Over the course of this thesis we have been aiming at answering the research question '*How can marketers affect consumers' willingness to pay with price, country of origin and consumer nationality?'* In order to investigate this, we chose to focus on two sub-questions regarding 1) the relative strengths between the three factors, and 2) the level of unconscious effect of the factors on consumer preferences. We furthermore had four hypotheses to support our research question and sub-questions. These hypotheses regarded whether 1) perceived high price has an effect on WTP, 2) certain COOs have an effect on WTP, 3) perceived high price and certain COOs have an effect on WTP, 4) perceived high price and OCPs (combining COO and consumer nationality) have an effect on WTP. The hypotheses as well as the sub-questions were used as support for answering the research question, in that these would give indications on the factors' relative influence on WTP, and how to focus on them (conscious vs. unconscious) to benefit marketers internationally.

Our theoretical foundation was developed based on existing literature on the factors: price, country of origin and nationality as well as (unconscious) consumer behavior. This was done in an inductive manner to establish the foundation for our data collection with the proposed hypotheses as well as theoretical propositions. From this we considered price to be a combined indicator for perceived quality and sacrifice. Country of origin was considered relevant especially when the originating country has positive associations. Considering nationality, the main objective should be on own country products. In common for all the factors is that multi-variable studies will give more accurate estimate of consumer preferences. Regarding the measure of consumers' unconscious reactions we considered pupil dilation, i.e. emotional arousal a means to better understanding consumer preferences. Hence the literature review assessed the impact of each factor on WTP, and how consumer preferences are often affected by the unconscious mind.

Our data collection took on a deductive approach, as we wanted, based on our proposed hypotheses, to explore consumers' reactions to marketing efforts. We further found inspiration in the study by Plassmann et al. (2008) in which they investigate consumers' experienced pleasantness using red wine as stimulus and neuroscientific measures to test unconscious preferences. Hence we also used red wine as product category. Our data collection was hence two-folded in order to investigate the above-mentioned hypotheses. Firstly, to measure subjects' unconscious reactions to the factors, we used an eye tracker to measure

unconscious emotional arousal. Secondly we asked the subjects about their immediate (conscious) liking of the wines after the tasting, and subsequently how much they would be willing to pay (conscious) for each wine. With these measures secured we could investigate whether the factors – price, country of origin and nationality affected subjects' responses to the wines and the relative strength of each cue. Further we also investigated whether we could track unconscious preferences as an indicator for how subjects would (consciously) rate the wines.

From the data analysis, we were able to support our hypotheses and further to discuss the sub-questions as well as the research question, enabling us to make strategic recommendations. Firstly we found strong support for Hypothesis 1 in that perceived higher price does seem to have an effect on consumers' WTP. Trailing this we also found strong support for Hypothesis 2 in that the wines cued as being from France and Italy were heavily preferred over Mexican wines. For Hypothesis 3a and 3b, we also found strong support in that the high priced wines originating from either France or Italy had positive correlations with subjects' willingness to pay. Lastly Hypothesis 4a and 4b were also supported in that the Italian and French subjects preferred high priced own country products. However Hypothesis 4c only had partial support in that the control group preferred the Italian high priced wine, however preferred the high priced Mexican wine second over the high priced French wine, which contradicts the country of origin effect.

From the hypotheses analysis we had the foundation for discussing the sub-questions. From the analysis of the hypotheses, we found that *price* had the most significant effect on WTP, followed by *country of origin* with a significant effect, and lastly *nationality* only had a minor effect. These relative strengths were found by conducting an F-test for the data collected, where we found significant results. This indicated for sub-question 1 that marketers should mainly focus on price and if COO has positive associations this should also be emphasized. Nationality however did not yield a strong effect, unless the product originated from subjects' home country. To answer sub-question 2 we compared the results gained from arousal, liking and WTP respectively to see if the tendencies shown in arousal and liking trailed WTP. This was to investigate whether WTP can be traced at an unconscious level solely by use of marketing factors. We argue that both arousal (unconscious) and liking (conscious) could to some extent show tendencies for WTP. Neither of the measures were more accurate in trailing WTP, and hence marketers must consider both unconscious and conscious factors.

The significant results were incorporated in the discussion of the research question as it laid the grounds for how the factors can be used by marketers. We deem it relevant for marketers to assess the specific product category in order to analyze the effect of the cues in question. We argue from our study that greatest emphasize should be put a price. Further special emphasize should also be put on products with positive COO associations (e.g. French wine, German cars). Lastly it is important to acknowledge the effect of consumer nationality in the case of 'own country products'. Another fascinating line of the analysis was the unconscious reactions. It seems that special attention shall be placed on the emotional arousal as it gave indications of the subsequent WTP. Hence marketers should understand both unconscious and conscious consumer preferences, in order to obtain a more holistic comprehension.

Although we found significant results for the abovementioned factors, this study is at the level of basic research and the results gained are merely indications of general effects caused by marketing efforts. While being highly interesting and useful the results need further research and validation, which will be elaborated on in the following.

11. Limitations and Future research

The above presents interesting and useful findings from our study however the study did also have certain limitations and hence needs further research to become fully applicable for marketers.

Firstly we believe it would be interesting to conduct the same experiment again with adjustments to the limitations outlined in 7.5. Limitations. Even though we found significant results in our experiment, we assume that by re-conduction it without the mentioned limitations it could possibly lead to greater validity and even more significant results. Thus we further argue that it would contribute to the understanding of how manipulation with marketing factors can affect consumers' product preferences. As mentioned, we did not make use of the measures 'associations' and 'recognition' in our analysis due to the overwhelming amount of data this yielded. It could be interesting and useful however to make use of these results in a re-conducted version of the study.

After comprehending the relevance of how the 'placebo effect' of marketing actions can be used to influence consumers' WTP, we found a key technical issue was that we could not

directly compare the measures in one scheme in that the software program could not handle the amount of data. This made our attempt to answer sub-question 2 difficult in that we could not determine fully whether the results for WTP, liking and arousal trailed or differed because they were not directly comparable. Hence the answer to sub-question 2 can only be an estimation. From this we argue for the relevance in future research, to use a software program that is able to properly conduct relevant tests to compare more exactly how liking and arousal are trailing WTP.

In our discussion on how the factors price, COO and nationality respectively affected the subjects, we argued that price is the most important factor, followed by COO and lastly nationality. But this being said we did also acknowledge that in a real buying situation more factors will have an impact on the outcome, and further that consumers in general are capable of comprehending more than just a couple of factors to evaluate products (Wheatley & Chiu, 1977). When a larger set of factors is being measured, the effect of any of our variables (price, COO and nationality) might be further enhanced or diminished. We argue that this is due to increased complexity and larger information load, hence the influence of e.g. COO might be diminished if we had also measured e.g. expert reviews. Further as argued, the less knowledgeable consumers are regarding a product, the more they tend to rely on extrinsic cues such as price and COO. This in turn may have inflated/minimized these effects in our study in that our subjects may be more/less knowledgeable regarding wine, than the average consumer. Brand name, peer reviews and the similar that might have an influence on product quality expectations are interesting elements that could be taken into consideration in future research. Further an investigation using intrinsic cues e.g. gustatory and olfactory factors, could also yield interesting findings and further might give more insights into the relative effect of extrinsic versus intrinsic cues on consumer preferences.

With this in mind we also speculate in the actual buying situation, how much time consumers actually spend assessing a product before making the final purchase. Thus we argue for the relevance of investigating how much time marketers have to make a real impact on consumers' choice of products. As it can be expected that consumers do not rationally review every product in a given product category, some factors must have an unconscious appeal to the consumers, which can beneficially be tapped into by marketers. Thus marketers need to deploy the right extrinsic cues to affect the consumer at this very moment where these stimuli act as influencers. Building on this it could be interesting to map out the unconscious and

conscious decision processes, and thus understand more in-depth how and what to use in affecting consumers' WTP.

Furthermore, not only do we argue that conducting an experiment with more variables will give a more accurate understanding of actual consumer preferences, we also argue that researchers should more thoroughly investigate the specific cultural aspects of the nationalities in question in order to better support international marketers' decision making.

Following this we also find a limitation in our choice of product. Firstly we acknowledge that choosing other wine producing countries could have an impact on the findings. It could be relevant to investigate presumable 'medium-branded' wine countries such as Chile or Australia, instead of France and Italy, to see if the significance of our results would still prevail. Secondly we argue that the chosen product category can have an impact on our results, as wines are known to have strong associations with the country it originates from. Further the price is likely to have great influence on subjects' evaluation of the wine, due to wine's experience properties. Lastly we argue that other product categories than wine might have different effects, which influence the assumed quality of the product. Thus combining this we deem it relevant in future research to focus on another product category. It is truly interesting to uncover any actions that might affect consumers' perceptions with regards to product quality.

In our discussion of the price effect and the tradeoff between perceived quality and perceived sacrifice that comes from price, we discussed theoretically that the individual's price range would be something to take into consideration when evaluating subjects' WTP. The theory suggests that each consumer has an individual price range, which in turn affects and makes the tradeoff between perceived quality and perceived sacrifice individually dependent upon subjects' monetary disposables. Therefore we recommend for future research that subjects' individual price range should be investigated. This should be done in order to better qualify, how important price is for consumers.

Besides these highly relevant actions for future research, two aspects we did not investigate but which we assume affect consumers' evaluation are the snob effect and bandwagon effect respectively. Consumers might be affected to buy a certain product due to the desire "*to be exclusive, to be different, to dissociate themselves from the 'common herd'…"* (Leibenstein, 1948:189) which is illustrated by the socalled snob effect. The snob effect is a motivation for exclusiveness that most consumers desire depending on their perception of the product. We

argue that the subjects' perception of the quality of the wine and their subsequent WTP can be affected by the snob effect. Hence for example a French high priced wine could seem more exclusive than say a Mexican low price wine would, thus affecting the subjects' overall evaluation of the wine in question. We have not investigated whether the snob effect affected the outcome, but considering the investigated product category we deem it interesting to investigate whether this is an effect that could influence consumers' preferences. Conversely, we also find it interesting as a future investigation to tap into whether consumers are affected by the bandwagon effect addressing a possible desire "*to wear, buy, do, consume and behave like their fellows; the desire to join the crowd,… "*(Leibenstein, 1948:184). Hence for example, we could have manipulated the subjects by showing them which wine other subjects indicated the highest WTP for, in order to see if they unconciously were affected to choose the same wine.

Trailing this, the use of university students as research subjects may have affected the results, as these subjects can be assumed to possibly be less knowledgable regarding wine and also to have a lowered individual price range, than would be the case if the subject group consisted of a mixed demographic group. Further recalling from the theoretical review, consumers were expected to prefer OCPs and products from culturally similar countries. The consequence of France and Italy being presumably culturally similar might have affected the rating of the wines and hence possible inflatin the country of origin effect of the French and Italian wines.

All in all we believe that this thesis provides valuable insights for marketers on how marketing efforts can affect consumers consciously and unconsciously to have higher WTP for a product. However we do recognize that further research on this topic is relevant in order to get more in-depth knowledge on consumer reactions, which will further strengthen our significant results.

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13. Appendix

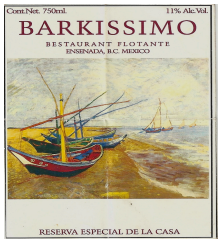
A1: Overview of chosen wines

The wines was either exposed as being high priced (200-300 DKK) or low priced (30-40 DKK), randomly shown my the computer software program.

The French wines

The Italian wines

The Mexican wines



A2: Briefing to subjects before undergoing experiment

To participants:

Why: We are two female students from Cand.Merc International Marketing and Management, and we are in the process of writing our thesis. We are collaborating with different wine brands to find out what kind of wines students find best in flavour and price.

What: We want you to look at different wine brands from different countries, taste the wines and hereafter rate what you thought about the wine. Hereinafter we will have a couple of questionnaires about your recognition and liking of the wines and what (if any) associations you have with the different wines.

How: Through the experiment you are to answer as quickly as possible

- Tasting: First we want you to look at a wine brand, and the price of it. Afterwards you are asked to drink a small cup of the imaged wine. This will lead you to the rating of how much you liked the wine you just tasted. You will taste wine from France, Italy and Mexico, which means you will taste one low priced and one high priced wine from each country. The procedure is that you are to taste the six different wines two times, meaning that you are to taste and rate 12 times in total.
- Questionnaires: You will be given 3 different questionnaires and are to answer them with your 'gut-feeling'.

Before starting the experiment we would like to get some basic information about you and also get an idea on what your general relationship for wine is:

Age:

Gender:	Mark with a X
Male	
Female	

Nationality:

- How much do you like wine? 1 is minimum liking and 5 is maximum liking?

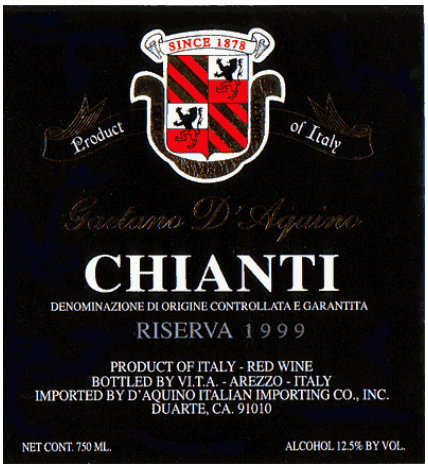
1	2	3	4	5

- How often do you drink wine? (Mark with a X)

	Mark with a X
More than twice a week?	
On a weekly basis?	
On a monthly basis?	
A couple of times a year?	
Never	

A3: Example display of the cues

High priced wine



A4: Introduction to retain subjects

FRENCH & ITALIAN: FREE LUNCH AND FREE WINE TASTING

Dear student,

We are two female students from Cand. Merc International Marketing and Management, and we are in the process of writing our thesis. We are collaborating with different wine brands to find out what kind of wines students find best in flavour and price.

What: We want you to look at different wine brands from different countries, taste the wines and hereafter rate what you thought about the wine. Afterwards we have a few questions about the wines and what you thought of them. We expect the study will be around 30 min. per person.

The study will of course be completely anonymous and you will at any point in time be able to withdraw from the study.

The study will be conducted in weekdays from 9.00-16.00. We really hope you will want to participate in our study and as written in the headline you will get a free lunch and of course get to taste a lot of wine! ☺

If you are interested (and think this is the bomb!!) please get back to us as soon as possible.

If you are interested in participating please contact:

- Julie Auning: juau07ab@student.cbs.dk
- Anne Strande Jensen: anje07ag@student.cbs.dk

A5: Questionnaire – recognition

Recognition (1)

Please give the answer that first comes to your mind:

Top-of-mind recognition:

	Answer:
What is the first wine that comes to mind?	
Do you remember what it looked like?	
Do you remember the origin of the wine?	
Please indicate the country:	

Category cue recall:

Do you remember any of the French wines (if you remember both please proceed with both)?		
Do you remember if it was high or low priced?		
Do you remember the name of the wine?		
Do you remember what it looked like?		

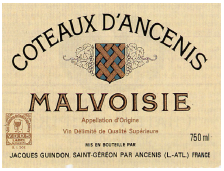
Do you remember any of the Italian wines (if you remember both please proceed with both)?		
Do you remember if it was high or low priced?		
Do you remember the name of the wine?		
Do you remember what it looked like?		

Do you remember any of the Mexican wines (if you remember both please proceed with both)?		
Do you remember if it was high or low priced?		
Do you remember the name of the wine?		
Do you remember what it looked like?		

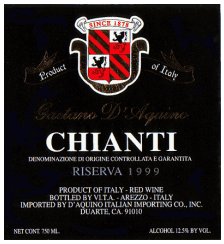
Recognition (2)

Indicate on a scale from 0 to 100 how well you recognize the wine label:

0 _____ 100



0 _____ 100



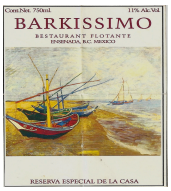
0 _____ 100

0 _____ 100

0 _____ 100

0 _____ 100

0 _____ 100



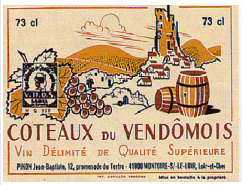
0 _____ 100

A6: Questionnaires – Associations

Associations

After tasting the 6 wines we would like you to look at each label again and just write what associations you get - whether it being words or sentences:

The French wines

	What comes to your mind?
	
	

The Italian wines

	What comes to your mind?
	
	

The Mexican wines

	What comes to your mind?
	
	

A7: Questionnaires – Liking & WTP

Liking

We would like you to rate the 6 wines you just tasted on a scale from 1 to 5, where 1 is minimum liking and 5 is maxi
There after please indicate how much you would be willing to pay for the wine within a limit of 300 DKK

The French wines

1.	Indicate with a circle what you think:	What are you willing to pay (max 300)
	1 2 3 4 5	
2.		
	1 2 3 4 5	

The Italian wines

3.	Indicate with a circle what you think:	What are you willing to pay (max 300)
	1 2 3 4 5	
4.		
	1 2 3 4 5	

The Mexican wines

5.	Indicate with a circle what you think:	What are you willing to pay (max 300)
	1 2 3 4 5	
6.		
	1 2 3 4 5	

A8: Debriefing

Debriefing

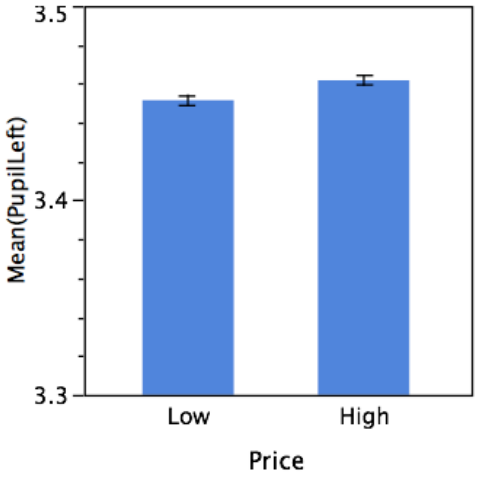
1. phase: systematic self-reflections		**Answers**
	What do you think of the test you have just been a part of?	
	Was it fun to be a part of?	
	Were there to many different wines to taste?	
	How was the set-up? Did it work well with the time you were given to answer?	
2. phase: intensification and personalization		
	How differentily did you think the wine tasted?	
	Did you feel that yourwere correctly informed, and comfortable during the experiement?	
	How do you think we will process the information from the experiment?	
	Have you at some point during the experiment thought that there were some information you didn't receive?	
	Have you thought about the possibility that the purpose of the experiment was another than the one we told you?	
3. phase: generalization and application		
	The real purpose of this experiment has been to gather reactions and information from different nationalities when they were informed that they were tasting wines from their own country, or from a foreign country.	
	Furthermore to see the reaction when the different wines where priced either cheap or expensive	

A9: Results of emotional arousal during the point of rating

Price

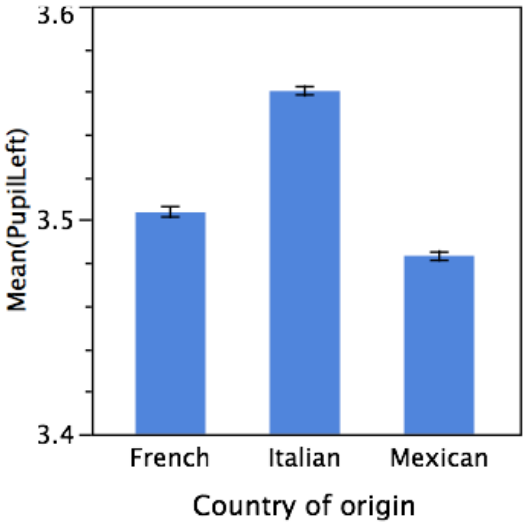
F = 34.4, p<0,0001

Level	Number	Mean	Std Error
Low	138196	3.45150	0.00125
High	142831	3.46178	0.00123



COO

Level	Number	Mean	Std Error
French	192003	3.50363	0.00112
Italian	187561	3.56027	0.00113
Mexican	191084	3.48328	0.00112



Combined effect of price and COO

R^2=0,85, p<0,0001

Source	Nparm	DF	DFDen	F Ratio	Prob > F
Country of origin	2	2	3.00E+05	87.8505	<.0001*
Price	1	1	3.00E+05	253.0549	<.0001*
Country of origin*Price	2	2	3.00E+05	384.7755	<.0001*